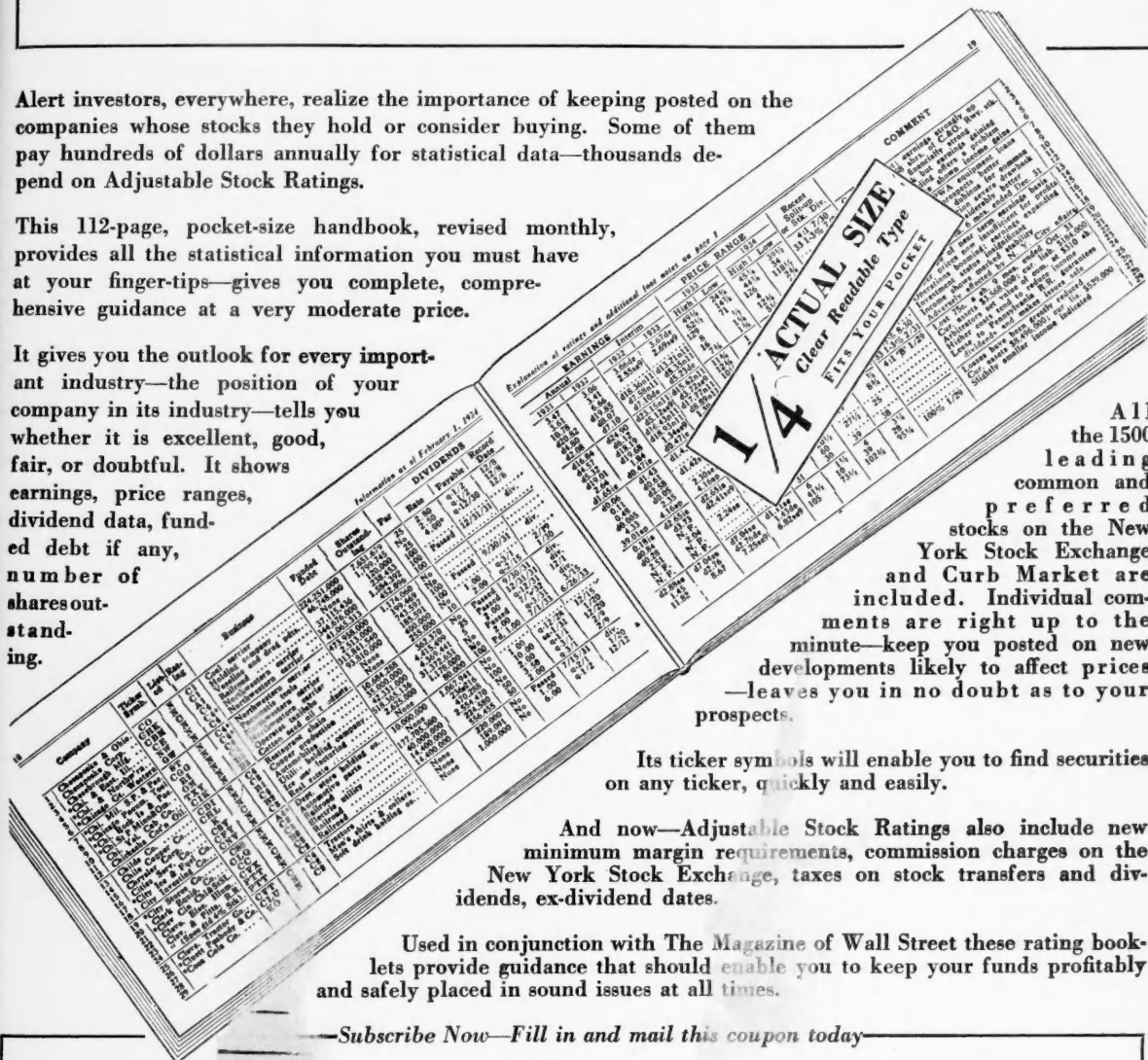


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May 26, 1934

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WITH THE EDITORS



Most Proxies Are Blank Checks

NO man of sound mind would affix his signature to a blank check destined to pass into the hands of strangers. Nor would any intelligent person sign a contract without carefully reading its terms and assuring himself of full understanding of every provision. That is only common sense.

But consider the position of the average stockholder when he opens his morning mail and finds—along with a postcard from Aunt Sue, two bills and three advertising circulars—an imposing proxy from the XYZ Steel Corp., in which he is the more or less disappointed owner of 10 shares of stock. What does he do? In ninety-nine cases out of a hundred (and the estimate is probably conservative) he either signs the proxy without the slightest idea of what it is all about, or he promptly tosses it into the wastebasket and turns to the morning newspaper.

This typical stockholder is not to be blamed. He hasn't time to attend annual meetings, which are often held in

out-of-the-way places, and he wouldn't know what questions to ask the directors and executives if he did attend.

Nevertheless, it is a bad state of affairs and it *can* be remedied in important respects. There are two approaches. First, there should be a general organization of investors, administered by a competent paid staff. Along with other protective endeavors, it should keep close watch on the affairs of at least the more important listed corporations. Second, corporate management should be induced or compelled to give shareholders full and frank information concerning all important company developments—and give it well in advance of annual meetings.

The proxy which the investor is asked to sign in blanket ratification of all acts of his company's management and directorate should be in his hands at least a full month in advance of the annual meeting. It should be accompanied by a brief, but frank, summary of any material changes of policy made

during the preceding year; of any important contractual commitments affecting the property interests of the shareholders; of the salaries and bonuses of key executives; and of any stock options granted. It should, moreover, be accompanied by the latest figures on sales and earnings.

The average stockholder's position would also be greatly improved and his disposition of a proxy rendered the more intelligent if the men to whom he is asked to delegate his vote in the meeting were identified as to their interest in the company and their qualifications for serving as his attorney. Their relationship to the corporation and the amount of their holdings in its securities would be helpful.

In this enlightened age wise management should go beyond the letter of corporate laws and accept their spirit, if it is to win a merited vote of confidence. A fiduciary responsibility must be recognized by listed corporations. It is time proxies ceased to be blank checks or meaningless pieces of paper.

In the Next Issue

Where Are the Utilities Headed?

By ERNEST GREENWOOD

A comprehensive survey of the industry—its problems and outlook together with:

Investment Position of All Leading Utilities

Earnings

Dividend Outlook

Investment Rating

Prospects for Recovery in the Aviation Industry

By HOWARD MINGOS

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In every profession it is generally understood that a man must spend years in education and apprenticeship before starting out for himself—and the merchant usually starts out as an errand boy. In trading in stocks, too, the men who are reaping handsome returns, year after year, are those who make a serious study of the subject—and develop a method best suited to their funds and abilities. In developing the ideas suggested in *The Magazine of Wall Street*, this book can help you.

The Business of Trading in Stocks

By John Durand and A. T. Miller

Including a Formula for Determining Common Stock Values in This Second Phase of Economic Recovery

160 pages, profusely illustrated with Charts and Graphs

This new book gives a clear, authoritative exposition of the fundamental principles essential to successful trading under present-day market conditions.

Written by two experts who know trading—who know how to explain this profitable subject so that the average businessman can understand and apply the principles for his greater profit—this book stresses the desirability of planning a method suited to your individual needs.

Mr. Durand's formula for determining common stock values is particularly important. It can enable you to always know WHEN TO BUY and WHEN TO SELL those stocks in which you are most interested. Numerous charts and graphs of well-known securities illustrate important points clearly and simply.

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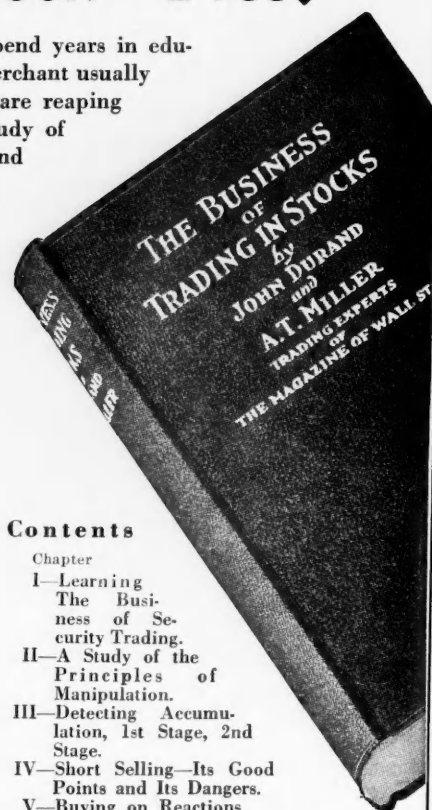
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- II—A Study of the Principles of Manipulation.
- III—Detecting Accumulation, 1st Stage, 2nd Stage.
- IV—Short Selling—Its Good Points and Its Dangers.
- V—Buying on Reactions.
- VI—The Principles of Tape Reading.
- VII—Price Movements and Turning Points.
- VIII—Profiting by the Law of Averages—Figure Charts.
- IX—How to Use Charts and Mechanical Systems.
- X—Fundamentals That Affect Security Prices.
- XI—What and When to Buy and Sell.
- XII—Profiting from Stock Dividends, Rights, Privileges and Arbitrage.
- XIII—Important Principles for Successful Trading.
- XIV—Appendix—A New Formula for Determining Common Stock Values.

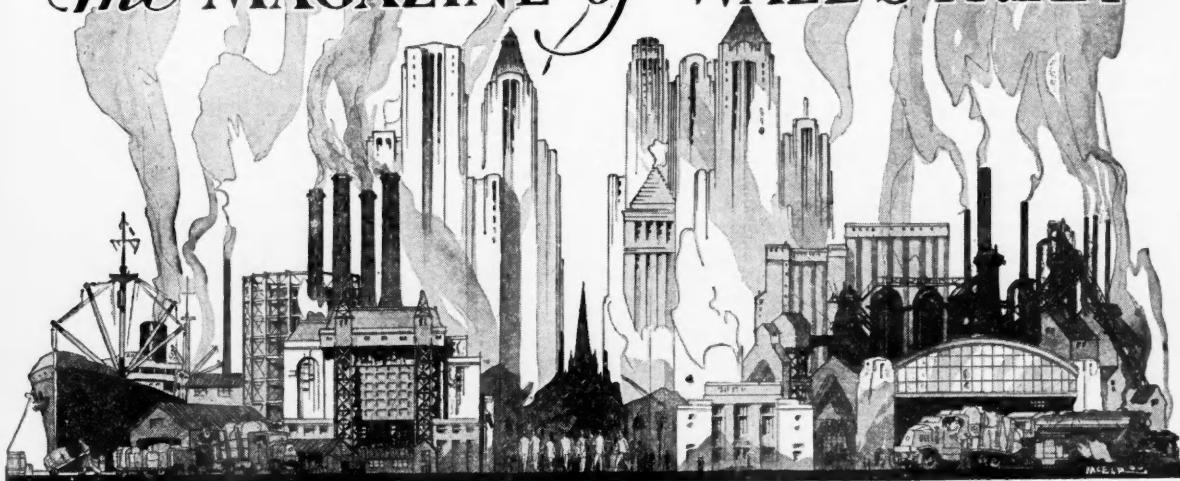
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The MAGAZINE of WALL STREET



E. Kenneth Burger
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Associate Editors

The Trend of Events

- What Will Silver Do for Us?
- The Building Program
- Federal Spending Goes On
- Leadership for Investors
- More Government Banking
- The Market Prospect

WHAT WILL SILVER DO FOR US?

THAT Western politicians have succeeded in "doing something" for silver is not particularly important. The real question is: What will the remonetization of silver do for us? The President has agreed to accept legislation declaring it to be the policy of Congress to favor the nationalizing of silver. Beyond this point the legislation is solely permissive, leaving the manner and time of nationalization to Mr. Roosevelt's discretion. Consummation of the policy asked by Congress would give us a metallic currency reserve consisting 75 per cent of gold and 25 per cent of silver. The reasoning of the silver inflationists, like that of Prof. Warren, is that the abnormally high value of gold caused the depression and low prices; and that gold is

still too dear. If we dilute our monetary reserve with silver, it is argued, the effect will be to cheapen gold and raise prices, hence to stimulate world recovery. Will it work? In this field of monetary metaphysics one can only confess a humble skepticism. Theoretically, we cheapened gold by 40 per cent in the Warren "gold-buying" experiment. The best proof that it did not work with complete satisfaction is the present demand for more inflation—this time along the silver route. But that is the historical way of the currency inflationists. There has never been enough inflation until there was too much. Of course, we can stand this silver "shot in the arm," but it is not too soon to begin making up our minds firmly that it *must* be the stopping point in monetary tinkering. If prosperity is not restored by cutting the gold content of the dollar 40 per cent and adding 25 per cent of silver, it would be nothing short of national insanity to risk further doses of this dangerous and ineffective drug.

THE BUILDING PROGRAM

IT IS a hopeful thing that the Administration's economic planning has turned to the field of residential construction and renovation, in which continuing stagnation is an important cause of business depression and unemployment. The program, for which legislation is pending, is to rest chiefly upon private financing, 20 per cent insured by the Govern-

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Six Years of Service"—1934

ment, and thus will not be a serious Treasury drain. As to its practical effects, both in the stimulation of construction and modernization and in the attempted rehabilitation of a broad field of mortgage financing, we must probably look to the longer future. The time is too short for it to become a major business influence this summer. Moreover, there are two great difficulties. Whatever its desire, the public's financial resources are at low ebb in relation to the comparatively large investment represented by a house or by major renovations. Secondly, present costs of materials and building labor are far out of line with the average individual's spending ability. Yet the fact remains that this program can certainly do no harm. It probably will do much good, especially in its long-term effects upon the mortgage money market.

FEDERAL SPENDING GOES ON

THE President has called for appropriation of the rest of the emergency funds he named in his budget message last winter; viz., \$1,922,000,000, after allowing for appropriations already made outside and inside the budget. He is wise to get it while the getting is good, instead of coasting along on the savings in actual expenditures as compared with estimates for the past six months. Next January—when Congress meets again—is a long way off. By that time it may be a question of exceeding the estimates. All of the money may not be needed if times continue to improve; but with cash in hand for the worst, the country will have that factor of confidence which always goes with a full wallet, especially as revenues continue to roll in gratifyingly.

LEADERSHIP FOR INVESTORS

IN AN article in this issue, especially written for THE MAGAZINE OF WALL STREET, James W. Gerard, distinguished lawyer and citizen and former ambassador to Germany, urges investors to form an aggressive union for the promotion, assertion and defense of their rights both as American citizens and owners of corporations. Nor does Mr. Gerard confine himself to forceful exhortation in a good cause. He offers to take the leadership of the undertaking he so convincingly urges, should there be a spontaneous response of such an emphatic nature as to show that he will not be a leader without loyal followers. We wish him all success in his effort to get substantial America to take its rightful place in corporate and public affairs.

That place is really the top place.

Mr. Gerard estimates that a successful association of investors might animate 25,000,000 to 30,000,000 votes. If we take into consideration the 60,000,000 holders of insurance policies the integrity of which rests largely on securities, and the 13,500,000 mutual savings banks depositors, to say nothing of other elements whose savings are not directly invested by themselves in securities, Mr. Gerard's estimate is conserva-

tive. Certainly, investments direct or indirect are important enough to activate a mass of opinion which could well be controlling in public affairs and master in corporation policy—and in the public as well the particular group interest.

This Magazine commends Mr. Gerard and pledges him its support, and we earnestly hope that our readers will at once wire or write him in expression of their sympathy and interest.

MORE GOVERNMENT BANKING

WHILE business grouches over what the Government is doing in strange ways for agriculture and the weird things it is doing to business it must, to be fair, concede that it is doing a lot for business, according to its lights. The whole R F C enterprise, with its five billion dollars, is essentially a stupendous effort to save and help business. For the most part it has been an effort to rescue business through loans to or investments in banks, loans to other key financial institutions, to self-liquidating enterprises of a public nature (now taken over by P W A). Now, in company with the Federal Reserve banks, it is about to be authorized to make or underwrite loans to business enterprises which can not get assistance of the kind they need from banks in the ordinary course. Three or four hundred million dollars are to be made available for loans and discounts. This may be described as direct credit inflation. Policies which have resulted in filling the banks to overflowing with loanable cash and credit potentialities not having ripened into business loans, the Government is now going to offer direct loans to needy businesses. It may be compared to forced feeding of a patient who is in obvious need of nourishment but is too weak to get food. The patient may not be able to digest the artificially administered victuals. He may be put on his feet, only to find that there is nothing he can do for himself because there isn't enough "doing" to permit him his share. He may then discover for himself why the banks have not been expanding their loans. On the other hand, it may take something like this move to arouse the appetites of bankers for loans. It may be that they are the victims of a long habit of saying no, just as five or six years ago their judgment was corrupted by the habit of saying yes. Judging from the hard-boiled habits of the Reserve banks and the R F C, it is not likely that they will throw money over the transoms. If the experiment doesn't work, it won't be worked long or disastrously. It can't do much harm to anybody, and it may do a lot of good.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 115. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, May 21, 1934.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Six Years of Service"—1934

Which Way for Stock Prices?

Silver Inflation Enters the Picture as Market
Discounts Seasonal Business Recession

By A. T. MILLER

AFTER approximately four weeks of persistent and gloom-ridden reaction, the stock market, as this article is written, has turned around in the sharpest one-day rally experienced since the "dollar revaluation" rally of mid-January. Whether this is more than a flash in the pan remains to be seen. However hopeful one may be, there would seem to be no very good reason at this time for an intermediate advance of significant proportions. Such an advance no doubt would be welcome to all, but if there is any basis for it one can not help but wonder why the market went through the nonsense of a full month of despondency.

Of greater significance, it would seem, is the fact that for several days prior to the current rally the market had given encouraging evidence of having encountered a fairly firm level of support at a point some 20 per cent below the year's highest mark but 8 or 9 per cent above the lowest level of last October.

It is this bottom level of the April-May reaction that will need to be watched in the immediate future. On the sum total of relevant factors, we think it is a reasonable assumption that it will hold, and that secondary realizing sales and belated liquidation on the present rally will probably fail to extend into a new phase of decline.

There is no valid reason, however, why one need rely upon a guess as to this particular market pattern. Within the next fortnight the market will almost certainly dispose of the question itself. Either the establishment of a "double-bottom" or the failure of the market as a whole to approach the lowest point reached in the second week of May will be regarded

by short-swing traders as presenting a buying opportunity. Even in the face of approaching business recession, which has already been discounted in considerable measure by a market decline amounting, at its maximum, to 20 per cent, it can logically be reasoned that the combination of a strengthened technical position and the adjournment of Congress might easily produce an early summer rally worth playing for.

Buying Opportunity

These, of course, are purely speculative considerations. In our previous issue the opinion was expressed that reaction in sound, dividend-paying stocks would not run to serious proportions. This view thus far has been justified. While we see no immediate reason to reach for equities in

periods of technical rally, we repeat the recommendation that investment accumulation of selected issues should be undertaken on a scale down basis in all periods of reaction by those whose surplus funds are not now adequately committed.

At its current level of rally, the market stands approximately 15 per cent above the lowest point of last October and 15 per cent under the year's high, which was established during the first week of February. Thus, it may be said to be at the half-way mark of a fairly broad trading range which has prevailed for approximately seven months.

Indeed, since the top point of this range in February virtually coincides with the top of July, 1933, it may be said that a broad trading range has now prevailed for ten months.



It is impossible, from a purely technical point of view, to attach any long range significance whatever to the fluctuations that have occurred within this range. We had the first phase of major advance from March to July, 1933. It is unusual that the succeeding period of intermediate trading swings should endure for ten months, without significant decision either as to major decline or a renewed phase of major advance. Yet in the present setting it appears likely that the movement for some weeks to come will be similarly restricted.

While awaiting an ultimate decision as to the next major movement of stock prices, we believe the odds continue overwhelmingly on the side of patient optimism. In a period of business recession, which may quite possibly prove of moderately greater than seasonal proportions, it is worth while to remind ourselves from time to time that, after all, an underlying and basic cyclical recovery has been under way throughout the greater part of the world for considerably more than a year. At the present sub-normal level of business activity, especially in the heavy industries, the upward movement is far from complete and there has been only partial replacement of the shortage of goods of all kinds created by a depression of record-breaking length and severity.

From so great a depression no recovery can proceed without periods of interruption, correction and consolidation. On the evidence to date, planned recovery only makes such a corrective phase more inevitable, since active planning provides the danger of human mistakes, both in politics and business.

Period of Consolidation

The period now entered is one in which Washington will strive to "rationalize" its policies: that is, says the dictionary, to "endow them with reason." In fairness, it must be said that business itself can stand some "rationalization."

Washington, despite the silver program forced upon the Administration by Congress, is leaning toward orthodox financial policies in the hope of encouraging business sentiment as we approach the Congressional elections of next autumn. The Administration quietly has let it be known that it is averse to new and radical experiments at this time.

Of particular importance to business is the decided shift of emphasis away from N R A, many of the provisions of which appear increasingly impossible of enforcement. Unfortunately, there is still considerable confusion surrounding this problem. Just as it was difficult for business to adjust itself to the codes—last autumn's industrial reaction, it will be recalled, followed the imposition of N R A—it will be difficult for business to adjust itself to the presently changing status of N R A. This is undoubtedly one cause of present business hesitation and doubt.

In retrospect it is now clear that the N R A, while solving some problems, created many new ones. Two difficulties now show up plainly. First, the higher prices for manufactured goods made necessary by arbitrarily increased wages and shortened hours of labor, have met with a marked consumer resistance. Second, strikes and the general

instinct of business to protect itself against strike threats, have resulted in many lines in an over-stocking of goods.

As a result of this combination of factors, of non-enforcement of the codes and of the Administration's known intention of freeing itself as far as possible from the political liability represented by excessive N R A prices, it appears likely that coming months will see a return to more competitive business relationships. This is already indicated by a tendency of manufacturers and wholesalers in many lines to shade prices.

Necessary Correction

Within reasonable limits, we can only regard this correction as sound and necessary, if the major recovery of business activity is later to proceed again, properly geared to the actual growth of consumer purchasing power. So far as competitive limits are concerned, it would seem that minimum wage and maximum hour provisions would be adequate.

The broader problems confronting business and the current business trend are discussed in detail in a special article in this issue of THE MAGAZINE OF WALL STREET. Similarly, the stock exchange control bill and modification of the Securities Act of 1933, pending as this is written, are considered in a special article.

For the purpose of this article, it is only necessary to point out that Federal security regulation is an accomplished fact, and that the stock market has had many weeks for mental adjustment to it. Whatever its longer range implications, we do not believe it will be a major market influence in the immediate future.

As to modification of the Securities Act, the change, while much less extensive than might be desired, is at least on the beneficial side. It will be a matter of great interest and importance in coming weeks for investors to observe carefully the practical results. If investment bankers and corporate directorates decide that they can now risk going ahead with a huge total of long-deferred financing, the effect upon business, both tangibly and in sentiment, can only be decidedly helpful.

Meanwhile, the late statistics confirm the fact of business reaction. Steel operating schedules will be lower during the week in which this article is published. Automobile production presently is declining. Car loadings for the latest week show an unseasonal decline.

On balance, however, we see no reason to anticipate any serious liquidation of investment holdings. Without such liquidation and regardless of possible periods of disappointed speculative unloading, selling movements in all probability will be confined within the well-defined market range of recent months.

Regarding the matter of liquidation, it is anyone's guess whether the silver purchase program, as permissively put into practice by President Roosevelt, will be actually inflationary in important degree. On the psychological side, however, it certainly smacks of inflation—as Congress intended. It adds one more doubt as to the precise thing the American dollar ultimately will be. Under the circumstances, one can only conclude that money remains in a major bear market.

"It is anyone's guess whether the silver purchase program, as permissively put into practice by President Roosevelt, will be actually inflationary in important degree. On the psychological side, however, it certainly smacks of inflation—as Congress intended. It adds one more doubt as to the precise thing the American dollar will ultimately be. Under the circumstances, one can only conclude that money remains in a major bear market with the reverse implication for common equities."

Exchanges Come Under Federal Control

How New Margin Requirements and Other Regulatory Provisions Affect: the Investor, Trader, Broker, Listed Company, Business

By HENRY RICHMOND, JR.

THIS stock exchange legislation: what will be its effects upon the business of buying and selling securities? More important still to the country at large, how will it affect the people, their present savings, and those to come? What influence will it have upon investment practice and what will be its effects upon industry? These are the questions which have bedevilled a large proportion of the populace during the endless weeks that the measure has dragged through Congress.

There has been so much biased observation, newspaper comment, and uninformed gratuitous suggestion that the subject itself, its true intention, and its probable results, all are becoming befogged. To listen to some, one would think that the country was about to take the greatest of jumps into socialism or communism; while others see in it no more than the sensible regulation of something that has become so important to the general well-being that it has taken on many of the aspects of a public utility. But let us start at the beginning. In principle, few will quarrel with the objectives behind the proposed stock exchange regulation. Briefly, these are: (1) Control of stock exchanges with a view to making their practices "fair"; (2) curb of excessive speculation, even though it be legitimate, and the elimination of dishonest and manipulated

speculation; (3) the prevention of an undue amount of credit being employed in speculation at the expense of business, and, finally, (4) to provide penalties in the event that the regulations be violated.

It is contended by those in opposition that not only will the proposed legislation fail of reasonable success in attaining these objectives, but that it must have many effects that are definitely undesirable. It is the sponsors' attitude that the good will far outweigh the harm. In deciding the merit of both arguments it is necessary to go into the proposed law in some detail. As the situation stands now a bill has been passed by both the Senate and the House and is in conference for the purpose of ironing out the different views held by the two bodies. One such difference appears as soon as one gets at the meat of the bill.

Section 4 of the House bill denies the use of the mails, or any other instrumentality of interstate commerce, to any broker, dealer, or other exchange, for the purpose of reporting or completing a security transaction on an exchange that has not either been registered with, or exempted by, the Federal Trade Commission. Section 4 of the Senate bill ignores the Trade Commission and provides for the creation of a Federal Securities Exchange Commission as the administrative agency.



Anton Schutz etching

This has been stressed as a difference of great importance by the press. But is it? Wherever the regulatory powers are placed ultimately, it will be the same Act that is being administered. Also, it is quite possible that much the same men do the administering by whatever name they happen to be called, for it would not be difficult to take some men out of the Federal Trade Commission and put them on the Securities Commission, or see that some of the men who would have become members of the Securities Commission found places on the Trade Commission. But with the President backing the Trade Commission idea on the grounds that the body administering the Securities Act should also have control of exchanges, this probably will be the final outcome.

The attitude to be taken by the regulatory body is very much more important than their number or title. Because both bills give the controlling body great discretionary powers, almost everything depends upon how these powers are employed. If they were used harshly or carelessly by uninformed men, untold damage might result. On the other hand, identically the same powers, reasonably interpreted, might well be beneficial. While this is a subject on which there is much room for conjecture, it does not seem reasonable to suppose that the control will be so exercised as to adversely affect—particularly in view of the disastrous experience with the Securities Act of 1933 that is now in process of modification as a rider to the Stock Exchange legislation—the flow of investment funds into industry, or those that supply these funds on an investment basis. On the other hand, control may be exercised in such a way as to be less considerate of the brokerage business and the simon-pure “trader.”

Control by Registration

It is proposed to effect control of the various security exchanges throughout the country by means of requiring registration. Before obtaining a certificate of registration the exchange must agree to comply with, or do its best to enforce, the provisions of the bill and must also furnish copies of its constitution, by-laws, etc.

Whether the Senate or the House bill or a compromise between the two becomes law, a new standard of margin requirements will be established. The Senate proposes that the Exchange Commission shall be given the power to make rules and regulations on margins, while the house (and also the President) wants to fix definite figures. The latter has written into its bill, following the provision that the Federal Reserve Board shall be given the power to issue other rules and regulations from time to time, that the standard in the amount of credit to be extended on a security (other than an exempted security) shall not be (1) more than 55 per cent of its market value, or (2) 100 per cent of the security's lowest price during the three preceding years, but in no event shall more

than 75 per cent of its current market price be loaned upon it.

There has been a great fuss and to-do about the proposal to regulate margins. It has been said that over-onerous margin requirements will cause our exchanges to lose their predominant position, that there will be a tendency for the security business to go to other countries, and that with such a result the United States would lose its pre-eminent

world financial position. While there is a grain of truth in some of these assertions, their ill effects seem much exaggerated. There are already obstacles in the way of a resident here trading in securities abroad. The present bills add to them, and should the practice become prevalent, more difficulties could be put in the way. As for New York ever having been the world's financial center, this was merely a new era delusion. True, there was a lot of money borrowed here, but where is it now? World financial centers and high tariffs simply will not mix, as London may some day find out just as we did.

As a matter of fact, the necessity for maintaining higher margins will probably have neither the disastrous effects that its opponents suggest, nor 100 per cent of the good effects for which its proponents hope. A few shoe-string board-room traders may lose

their money somewhat less rapidly, but it is very much to be doubted whether speculation (measured by degree rather than volume) will be curbed to any great extent. Even should all securities have to be bought outright we still could have, with the right external conditions, an orgy of stock speculation. It might be noted that some of the greatest speculative fiascos in history—the Dutch tulip boom and the South Sea Bubble, for example,—did not require the credit that we appear to think is essential for the financing of such things. Nevertheless, if the stricter margin requirements cannot be calculated to prevent speculation in securities, it is probably fair enough to say that the result, if any, will be in the direction for which its proponents hope—a measure of restraint on stock-gambling under normal outside conditions.

Ban on Manipulation

No valid objection can be had to the provisions that make such manipulation of securities as “wash” sales unlawful. Nor can there be any objection to the ban on the dishonest publicity that in the past has been a feature of speculative campaigns. One can foresee, however, considerable difficulty in administering this section of the proposed law. Publicity, in which the Washington of today is well versed, is not a thing that will be easily “pinned” on any speculative group.

The brokerage business is likely to be adversely affected by the section dealing with floor traders, odd-lot dealers, and brokers that are also dealers. Here, again, however, the effects will depend largely on how the law is adminis-

Highlights of Stock Exchange Regulation

Objectives

1. To make exchange practices “fair.”
2. To curb excessive speculation.
3. To eliminate dishonest and manipulated speculation.
4. To prevent an undue amount of credit being employed in speculation.
5. To impose penalties in the event that the regulations be violated.

Will it do these things? Will it also:

1. Result in a wave of liquidation?
2. Severely curtail the liquidity of securities, which would:
 - a. Make corporate financing more difficult.
 - b. Make corporate financing more costly.
 - c. Result in wide spreads between bid and asked.
 - d. Accentuate market swings—both the up and the down.
3. Put all industry under governmental control by means of stringent “listing” requirements?
4. Cause the brokerage business to move abroad?

tered, for in both the House and the Senate bills the regulatory body is given wide powers of exception. Nevertheless, an idea of Washington's view of the matter can be obtained from the final sub-section of this part of both bills, which directs that an investigation be undertaken and a report made to Congress with a view to considering the advisability of segregating the activities of brokers and dealers altogether. Yet, it would seem, speaking with rather brutal frankness, that the effects here are much more the concern of those who make their living by dealing in securities than the concern of investors, or the country at large. Market activity may, perhaps, be cut down to some extent, and a broad, active market is advantageous to investment and the financing of industry, but any loss of this desirable quality that is likely to result from the clipping of brokers' wings should be of slight importance in its more fundamental effects. After all, in London they do considerable financing, apparently economically, and with very much less market activity in individual issues than we have.

Information for Stockholders

The sections of the two bills that deal with the requirements for listing a security have been much modified from those originally proposed. Previously, the authority given the regulatory body to "prescribe in regard to such reports (periodic and annual) the form or forms in which the required information shall be set forth, the items or details to be shown in the balance sheet and the earning statement, and the methods to be followed in the preparation of accounts, in the appraisal or valuation of assets and liabilities, in the determination of depreciation and depletion, in . . . " was thoroughly objectionable. It could be made to amount to management of industry. As has been said, however, this section has been much modified and, while those that will administer the act still will possess considerable power to obtain for stockholders and the public reasonable information of a company's position and earning power, there will be nothing approaching a dictatorship over industry. Indeed, the Senate bill contains a

clause that provides definitely that nothing in the act shall be construed to authorize the commission to interfere with the management and affairs of an issuer. It is to be hoped that a similar clause will be contained in the final law in order that there cannot possibly be any misunderstanding of this extremely important point.

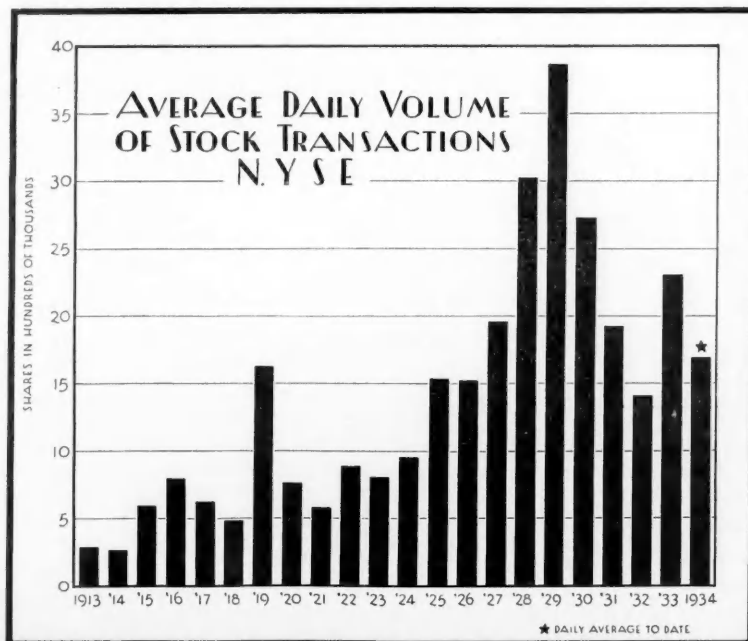
Following this, both bills go on to give the administering body powers to prescribe regulations on proxies and deny the use of

Final Provisions

The bills go on to provide for the making of reports by exchanges and their members, for hearings by the regulatory body and a court review of its orders, outline disciplinary powers over exchanges, prescribe penalties for violation of the law, orders and regulations, and establish a civil liability for those who make misleading statements on which others rely in the purchase of securities. This, for the most part, however, is merely the practical working aspect of the proposed law and is not of general investor interest, although when one reads of the penalties that may be imposed one cannot doubt but that the bills have at least some of those teeth on which the President was so insistent.

While there has been some conjecture as to the probable effects of certain individual sections of the proposed law, there has been no surmise as to the effects of the whole.

The most important of these appears to be that our securities will lose a certain amount of liquidity. Whether much or little, no one can tell until the bills actually become law and some time has elapsed to permit of conclusions as to how it is being administered. Liquidity, however, should be lost as a result of: (1) a tightening of margin requirements; (2) prohibition of manipulative practices which (Please turn to page 161)



The Summer Business Outlook

Political Factors and Consumer Price Resistance
Are the Chief Obstacles—Corrective Phase Will
Build Base for Third Quarter Improvement

By JOHN D. C. WELDON

BUSINESS activity in the aggregate appears to have reached its spring peak—and the highest level of recovery—around the end of March. To date the actual statistics, which lag from one to two weeks behind the flow of the business stream, show only a trifling recession. But in sentiment something suggestive of a nose dive is apparent. Even official Washington, optimistic by instinct, is debating whether the coming business reversal will be of merely seasonal proportions or something more. Pessimistic observers apparently expect a business funeral and are hanging black crepe well in advance of the sad event.

It is to be hoped the obsequies are premature, resting upon exaggerated fears. Yet some hints of approaching indisposition are quite plain and should not be ignored. Let us take the patient's pulse and temperature and observe significant symptoms. Let us, moreover, attempt to study his mental attitude,—for this is a very important, although often baffling, phase of modern pathology.

The fact is that business is afraid, and fear is one of health's greatest enemies. It smothers confidence and paralyzes initiative. What is it afraid of? No doubt the recent substantial reaction in the stock market is one cause of fright. There is no scientific basis for analysis of the precise relationship. Certainly market reaction of itself can and does affect business sentiment unfavorably and may, therefore, contribute indirectly to curtailment of production and trade. But when one conjectures as to the stock market's prophetic vision concerning coming economic developments, the record suggests that reservations are in order.

For example: What was the market forecasting in July and August, 1929? Not the coming economic collapse. Merely an excess of human hope. Again, what was it forecasting in April, May and June, 1932? Merely an excess of human despair. Some stocks were priced then at but little more than the annual dividends they now pay!

Trouble Lies Deep

We must look deeper for the cause or causes of the present business psychosis. May it not be that the shotgun marriage of business and politics is not quite satisfactory? To be sure, business for years has flirted with politics, but, on the whole, probably without any serious intention of settling down permanently in union. For a time, in March, 1933, when business scarcely knew where its next meal was coming from, it looked like an advantageous match. But the mutual adjustment has been difficult and irksome. The irritations grow, and it is yet to be settled who is head of the house.

On each side mistakes have been made. Politics, represented by the Administration, concedes some of its errors and shows honest intention of correcting them, wholly or in part. But politics has changed its mind so often that business lacks confidence in its consistency. Today politics promises to hold experimentation and improvisation to a minimum, to lean toward orthodox financial policies and to give business every possible encouragement. Business will probably believe this—if and when the promise is fulfilled over a period of months.

Above all, business is puzzled by the contradictions and paradoxes of politics. For example: A year ago we were hell-bent on a nationalistic economy. Today we are striving for a modified internationalism, via the route of reciprocal tariff adjustments. Again, politics stubbornly insists on driving the double team of reform and recovery, although they tend to go in opposite economic directions. Thus, we strive for reflation by means of a depreciated dollar, a rehabilitated banking structure and heavy Federal emergency spending. At the same time we adhere to a deflationary policy in over-zealous regulation of new financing, of the securities markets and of business itself.

Nothing to Tie To

There are other political conceptions alien to the traditional American economic system: The conception that what we need is a redistribution of wealth; that corporate salaries and corporate earnings—at least those of the past—were excessive; that increased wages and shortened hours of labor must come ahead of profits.

There is the pervading philosophy that our essential trouble is over-production. Hence, the necessity of central governmental planning and of regimentation of agriculture through AAA, and of business through NRA. Whether this general philosophy is sound or not, the point is that the attempt to apply it can only be a disturbing business influence, both tangibly and psychologically.

More specifically in the immediate business picture the National Industrial Recovery Act and the administration thereof—both as affecting employer-labor relations and the fixing of prices and of competitive conditions—becomes increasingly an irritant, rather than an economic remedy.

Here both sides—politics and business—are to blame: politics for the essential fallacy of the NRA concept; business for its folly in grasping the opportunity to impose trade-killing prices upon the consumer class.

In the probable business recession of the next two or three months this matter of price will play a large part. Indeed, its work is already apparent in many directions. On the whole, the proof appears clear that the initial Ad-

ministration objective of raising the general price level to the figure of 1926 is by no means a certain road to economic recovery. The emphasis upon price, rather than volume, becomes increasingly unfortunate.

Price Boosting Disappoints

Observe some of the effects. The initial price reflation, resulting from monetary depreciation, worked to the benefit of the sorely depressed farmers, raising basic raw commodities much more than finished products and thus reducing the disparity between farm and manufactured prices. But the peak of the farmer's gain had been attained by last July. Since then, due to N R A, the greatest advance has been in manufactured goods.

The adverse effect of a price rise which has outrun consumer purchasing power is clearly apparent in the consumption goods industries, notably in textiles. By all indications retail trade is materially under the levels of March in physical volume and is not much, if any, better than it was a year ago. Among manufacturers, wholesalers and retailers there is a well-marked turn toward more conservative price policies in an effort to maintain or enlarge volume. In not a few lines price cuts are beginning to appear.

For the textile industry as a whole, however, 1933 was the best year of a decade, with the exception of 1929 and 1927; and it is seldom that this industry has two such years in succession. Moreover, despite the fact that it is a major source of employment, the fortunes of this industry are less important in relation to the aggregate volume of business activity than those of the capital goods industries.

But among the heavy industries, also, the matter of price versus volume gives cause for sober thought. Construction, normally ranking with steel, the railroads and the automobile industry as a pillar of prosperity, remains acutely depressed—but prices of building materials have soared and the wages of union labor in this field remain on an inflated plateau. Costs, in short, are out of line with the present level of public purchasing power. Due to the slowness of public works, the total volume of construction awards has tended to recede from the March level. Private construction remains more stable at a level considerably higher than a year ago, but nevertheless at only a small fraction of normal volume.

In the steel industry the price test is yet to come. The prices which go into effect after the close of the present quarter will average only some 5 per cent under the level of 1929, unquestionably out of line with the general level of purchasing power, however justified by higher wage

costs. That present production in the industry is at nearly 60 per cent of capacity means little. It reflects stocking up against the coming higher prices, already duly announced, rather than actual consumption. Of more prophetic significance, there have been six successive reductions in the price of scrap steel in recent weeks. It appears certain that the present production rate will not hold.

Automobile production has passed the spring peak and sales at retail are conceded to be disappointing. By all reports, they are more disappointing for those companies which recently raised prices, than for the one major company which—cold to N R A—continues to put chief reliance on minimum prices and maximum volume.

As buyers of the products of heavy industry, the railroads are far better customers than they were a year ago but here, as with construction, the volume remains at a fraction of normal. Despite substantial improvement in operating revenues, more is needed to rebuild the aggregate working capital position. Most roads are continuing to economize, and will pinch a bit harder if business recedes, whether in seasonal degree or more. Meanwhile, P W A aid to the roads in buying capital equipment has become more conservative in its requirements as to collateral security.

The two composite business indexes of greatest significance—car loadings and electric power production—show slightly greater than seasonal declines for the latest week.

Another possibly adverse business development is the reported drought in the West. This may be greatly relieved

by rains, and the full effect can scarcely be estimated even approximately before mid-June. If it proves to be serious, the net effect will be to some extent deflationary on the incomes and spending habits of the farmers affected, on the millions indirectly or directly affected in rural areas, on the railroads which haul farm products and, in spreading spiral, upon business as a whole.

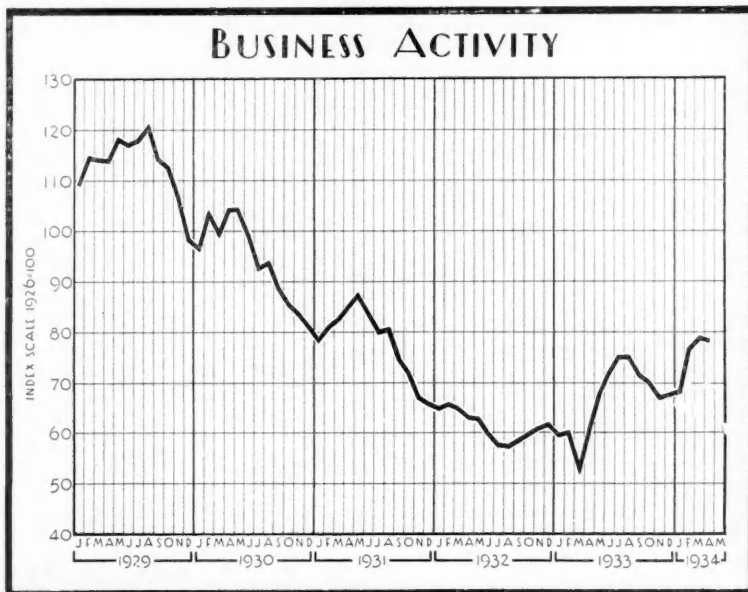
Above we have an imposing summary of adverse factors.

But we must not overlook the patient's strong points. There are many.

Time and Tide Favor Recovery

First, the underlying cycle of economic recovery after four years of acute depression is well established and is decidedly in our favor. It rests upon an accumulated replacement demand for goods of all kinds, upon a gradually expanding national income and upon a hopeful national outlook in striking contrast with the despair of 1932 and early 1933. Periods of interruption are normal, serving

(Please turn to page 160)



Stockholders, Unite!

Most Substantial Element in the Nation Without
Voice or Effective Organization Against Oppres-
sive Legislation and Corporate Mis-Management

By JAMES W. GERARD

Former Ambassador to Germany

Mr. Gerard's fine record in public life, his high standing as a statesman-publicist and the esteem in which he is held as a member of the New York bar admirably equip him to lead a movement to organize security owners for mutual protection against governmental tyranny and corporation abuses. THE MAGAZINE OF WALL STREET urges its readers to hasten to offer their co-operation to Mr. Gerard. He has started something of great potentialities for good, but the investing public must make the idea its own, if it is to be effectively realized.—Editor.

IT is time for the stockholders of the United States to form a vigorous association for mutual protection. On the one hand they are oppressed by legislation and regulation; on the other hand, they are frequently exploited by their hired men and even by their corporation directorates.

Prompted by demagogic interest, Congress and the state legislatures continually enact legislation which discriminates against the owners of corporations, and a rapidly growing bureaucracy develops more and more of a tendency to persecute investors. At the same time corporation management tends to fall more and more into the hands of minorities or self-perpetuating cliques. For the most part stockholders have themselves to blame for this double encroachment on their rights and interests. They have taken their maltreatment, alike by public servants and their own servants, lying down. While organized minorities in politics have virtually robbed them, and selfish groups in their own households have betrayed them, they have done little or nothing to assert their rights and defend their interests.

Investors and property owners are the foundation of the industrial and economic life of the nation. They own about a third of the wealth of the nation, they represent the essential virtues of thrift and saving and they are the backbone of the Republic. Yet they are ignored by legislators and by those in charge of many of the great corporations, and even treated with contumely by the directors who are the creations, theoretically, of the investors.

Effectively organized, the security owners of the country could probably control 25,000,000 to 30,000,000 votes. No other group could compare to them in potential political strength. If there had been such an organization in exist-



Wide World Photo

ence in these recent years much of the oppressive and unjust legislation which has been enacted would hardly have been proposed, and such legislation as would have passed would have been constructive and corrective in the public interest as well as that of property owners. They would have been an effective barrier against radical and revolutionary legislation.

In the past, self-seeking exploiters of investors have had the upper hand in the making of laws affecting the interests of investors; now the demagogues and the reckless radicals have the upper hand. The great middle classes have never had the control they are entitled to by virtue of their numbers and their substantial stake in the commonwealth. Recent legislation has flouted them, and the first concern of lawmakers has frequently been for social elements which are too often subversive instead of constructive.

In a democracy it is not enough for citizens to vote now and then on confused issues, and in a mere choice between candidates. They must be forever on guard. They must watch, scrutinize and educate their public officers and functionaries. It is not the man sitting in his office at home who shapes legislation. It is the man who has his representatives at Washington and state capitals who gets what he wants in the clash of interests which produces the laws. Witness the success of the American Legion, the American Farm Bureau Federation, the American Federation of Labor and many other organizations in getting what they want, whether they deserve it or not.

When the Securities Act was passed a year ago, the investors of the country were humbly dumb, during all the noise and fury over the stock exchange regulation bill they have not been heard from. Too often the individuals or small groups who have advocated sound legislation and opposed destructive have been as a red rag to a bull to legislators. Wall Street and its leaders do not represent the investing public when they appear before Congress. To bait them is to make votes, but if the investor-voters themselves were to appear in person or through their duly chosen delegates that would be something else.

Investors will never get their rights or enjoy the political respect their numbers and importance should command until they speak in terms of votes. This can only be done

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through a national organization, with headquarters in Washington—an organization adequately and ably staffed, always on the job. Such an organization would keep the investor-citizen informed of all proposed legislation inimical or beneficial to his interests, would know his opinions and forcefully express them where and in ways which would be effective. The investor would then cease to be a political abstraction—he would be votes—millions of them. Congress would take notice if every bill inimical to the group or the general public interest should evoke a cyclone of letters and telegrams of vigorous protest. So dumb is the electorate as a rule, that it is said in Washington that a dozen letters from his constituents frequently determines the attitude of a Congressman toward important measures. Imagine his state of mind when organized and thoroughly selfish minorities bury him under hundreds and even thousands of coaxing or threatening communications. This may not be the ideal way for laws to be made but we must be realistic, and, if that is the way laws are made, join in that way.

A Force for Good

Besides being an active agent at times of action in Washington the organization which I have in mind could be at all times a great patriotic, educational institution. It could inculcate sound economics and stimulate civic interest and effective activity among the people. It could persuade solid citizens to take office and arouse the indifferent millions to their responsibilities as citizens and voters. It could do more than any other influence to make democracy work at a time when it is menaced by overthrow because it does not always work.

Fully as important would be the function of such an organization in promoting the direction of their own corporate affairs by their owners. A corporation is a sort of industrial democracy, and it often fails to voice the will of its owners for precisely the same reason that legislative bodies and executive departments of government fail to reflect the will of the people—because they do not formulate and express their will. A much greater proportion of the owners of large corporations fail to vote in corporation meeting than of electors who stay away from the polls. The stockholder-voter could be educated and stirred to active interest just as the citizen-voter could be. Correct principles of corporation management could be inculcated and investors could be massed and disciplined to assert themselves against scheming cliques of officers who consider themselves masters of their real masters.

Already stockholders are beginning to assert themselves singly and in small groups. They are ready for organization for control of their own affairs. Shareholders are beginning to appear at general meetings, to ask questions, to demand their rights, to give advice. They are beginning to make life lively for concealing or misrepresenting directors and self-seeking officers.

A stockholder is not a dummy, a member of a blind pool, confiding his savings to the directors to do with as they will. He is, on the contrary, a co-owner, a partner, having the right to reasonable information regarding the affairs of the corporation in which he is an owner.

Regardless of what the law may prescribe specifically, shareholders are entitled to full and frank information concerning their corporation. There is nothing to prevent close corporations but as soon as stock is offered to the public and especially when it is listed on a stock exchange, a duty to make decent, understandable and detailed reports devolves upon directors. It is a pleasure to know that a majority of our great corporations are managed by officers and directors who make such detailed and understandable reports. To mention but a few, the United States Steel Corp., American Telephone & Telegraph, General Motors, American Smelting & Refining, make such reports. An unquestionable objective of the Security Act and the stock exchange bill is the enforcement of honest and adequate corporation reports and straight-forward information regarding properties and policies.

The Power of Massed Opinion

If the stockholders of the country had been emphatically articulate between the war and 1929 there would have been no such business inflation as brought the final crash. If they had been equally assertive these past few months, we would not be in danger of national monetary and credit inflation. If inflation comes, the owners of bonds and mortgages, and in the end the owners of the common stock, will be the ones to suffer. Inflation may seem to play into the hands of the owner of common stock, but a ruined country means ruined corporations. An intact corporation without order files is not exactly a prosperous concern, even if inflation has disposed of its debts. President Roosevelt is an enemy of uncontrolled inflation, his money policies have aimed at the attainment of a sound money system. Day and night, he has been under inflationary pressure from an army of monetary zealots on the spot. It would have been a grand thing for him if the steady, solid investors of the country could have been in a position to assure him of their backing in his purpose to provide the country with a sound and yet adequate money and credit system. And so in other fields of national policy.

It is not the stockholder and bondholder alone who should be interested in such an organization. Every owner of hovel or house, everyone holding a life insurance policy for himself or his dear ones, every thrifty person who has money in a savings bank is alike interested. The object of the radicals is a redistribution of property.

The organization I have in mind could be quickly called into being and rapidly extended to embrace the majority of the substantial investors of the country. It could

be influential from the first, and powerful before long. While it would require a moderate war chest in order to do its work well, the fund would be small relative to the numbers and property stake of the millions of investors.

I feel so deeply the need of such a protective union as I have outlined that I am willing to take the leadership in its formation, heavy task as it will be. Others have already volunteered to help me, and if we receive encouraging responses to the announcement of our intentions we shall soon "take the field." I welcome expressions of opinion on this proposal from the readers of THE MAGAZINE OF WALL STREET.

Significant Foreign Events

By GEORGE BERKALEW

Foreign Representative of THE MAGAZINE OF WALL STREET

Money

The monetary situation in most Western European countries is reaching a critical stage. One hears daily of rumors purporting immediate abandonment of the gold standard by Holland and Switzerland. The latter, even with a gold ratio of over 100 per cent, is suffering acutely from drastic declines in her invisible exports. While greater confidence of monetary stability prevails in France, she is faced with the dilemma of maintaining prices internally for fiscal purposes, while at the same time lowering prices of export commodities. After the re-opening of the French Parliament, on May 15, the centralized authority vested in the administration may be hampered by opposition in the Chamber.

The managed currency policy of Great Britain designed to keep her manufactured goods on a competitive price basis in foreign markets, tends to disrupt stabilizing forces in other financial centers. Finally, the bankrupt condition of Germany is forcibly demonstrated by the present gold cover of 5.8 per cent, the lowest on record. The continuance of individual and incompatible monetary policies cannot help but accentuate the uncertainty of the banking situation and adoption of some constructive international action before the year end is imperative if a new collapse is to be avoided.

* * *

Branch Factories

With increasing economic nationalism and the resultant restriction of export markets, the tendency to construct branch factories or establish subsidiary manufacturing companies abroad has developed to a marked extent, with, in general, profit to American enterprise. For example, the American Radiator Co. has acquired a dominant position in European markets through the operation of subsidiary manufacturing units, camouflaged, as far as possible, as separate national organizations. It is reported in commercial circles that net profits from operations in Europe last year, principally in France, England and Italy, amounted to, roughly, \$5,000,000, thus materially helping to offset losses incurred by the American concern.

Similarly, the formation in France of a new holding company, by joint agreement between Ford and Mathis, small French four-cylinder car manufacturers, has recently been announced. This will permit the complete manufacture of Ford models in the Mathis plant, and undoubtedly will serve to expand sales of the two popular cars of low gas consumption, which for Ford would have proved otherwise impossible, in view of the stringent French quota limitations



on automobile imports now in effect.

* * *

World Wheat

The desire to arbitrarily control and regulate the production, distribution and concomitant price level of agricultural commodities has motivated swivel chair authorities to go in to a huddle whenever, in the course of inevitable business cycles, the supply of these commodities exceeds the demand. Rarely have these restriction schemes proved successful. Sugar, rubber, wheat, tin, have, at various times, been subject to artificial maintenance of

prices. Now, in London, delegates of the United States, Argentina, Canada and Australia are debating the most feasible methods of disposing of the world's wheat surplus and concocting plans to prevent its recurrence.

The present conference follows closely the one in Rome, which terminated without decisive results. The United States, Canada and Argentina agree, in principle, to the limitation of acreage and export quotas. Argentina, however, favored by advantageous production costs, will undoubtedly object to the proposal to establish a minimum wheat price; a uniform price, in any case, being practically impossible to enforce, with so many divergent interests involved.

Acreage limitations would be readily agreed to by Australia, for the reason that sheep raising has proved, for some time past, more profitable than wheat growing.

Canada and the United States, faced with such excessive surpluses, are eager to embrace any plan destined to ameliorate the situation, even slightly. Probably more than this cannot be hoped for. Even though export quotas are diminished, European markets are not expected to be very important. Last year's bumper crops have left large carry-overs and present prospects indicate satisfactory production this year in Italy, France and Germany.

Russia will not grow enough wheat to adequately supply her domestic demands, but may nevertheless export small quantities to establish foreign exchange balances.

Furthermore, the difficulties of securing unanimous acceptance of any equitable scheme of acreage limitation and subsequently of enforcing its application are great. After all is said and done, perhaps the most practical solution to the whole wheat problem would be, following a popular precedent, to appoint a permanent "Rain Trust," and then merely let nature take its course.

* * *

Soviet Linen

Belfast exporters and Belgian weavers have, by terrific

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price reductions, been able to retain a portion of the former profitable American linen market, in spite of our high tariff of 35 to 95 per cent on this item. European textile circles are alarmed, however, at Russian organizations in the United States. It is reported that 70 per cent of domestic purchases of house linen is covered by Soviet production, and prices quoted in the United States range for all linen goods from 25 to 30 per cent below other European suppliers. If this rhythm of expansion continues, Russia promises to become as formidable a competitor for Ireland as Japan is for England in her cotton market.

Russia, thus, is building up much needed foreign exchange balances which, it is expected, will be applied for purchasing machinery and equipment from American manufacturers. According to the second five-year plan, Russia contemplates the construction of twelve spinning mills, with an estimated capacity by 1937, of 700,000 tons of flax fiber annually.

* * *

Empire Trade

In the midst of diplomatic wrangling over Japan's position in Eastern Asia, Great Britain applies a prompt and potent check on profitable Japanese trade expansion. The British move, following the failure of textile negotiations, imposes quotas on all foreign imports of cotton and rayon goods in their colonies and protectorates. These, will apply retroactively from May 8. The basis of allocating quotas to individual countries will be the average of their imports during 1927-1931.

Further upward tariff revisions, particularly affecting Japan, are also contemplated. While this action was taken with no unfriendly spirit intended, according to official statements, in reality curtailment of Japan's important textile outlets will severely impair her economic well-being and, undoubtedly, encourage reprisal measures, further obstructing international commercial channels.

* * *

The Saar

Much interest is fomented by German Minister Goebel's speech on the Saar question. A great quantity of people came to listen to him at Deux-Ponts, where he started with the "Front allemand" a sort of preliminary campaign before the Plebiscite in 1935.

The general feeling is that, as the result of this Plebiscite,

the Saar will go back to Germany. There is, however, a remote possibility of an autonomous government being voted for. The French element in that country is too negligible to anticipate any other outcome.

Whatever happens, Goebels left no doubt as to Germany's intentions regarding this valuable industrial area. In spite of the altruistic stand taken by the Minister, one cannot overlook the advantage implied by the possession of so many natural resources.

* * *

Germany

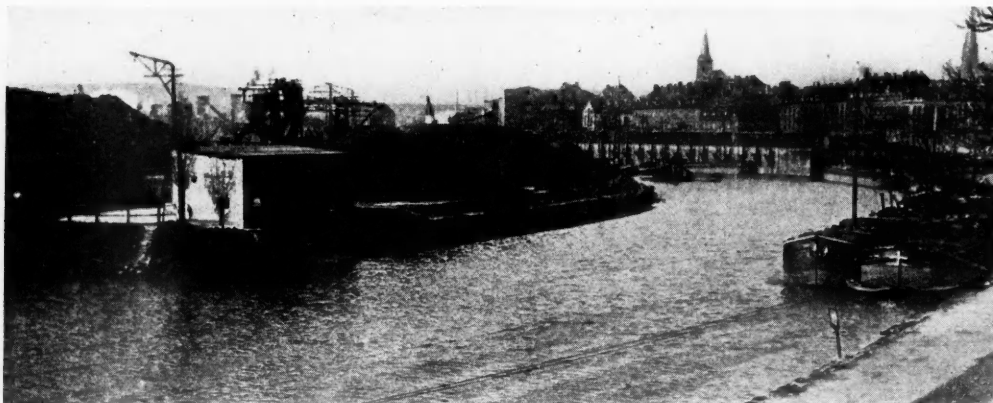
While the allotment of foreign exchange authorized for purchases of imported commodities has again been reduced to a bare minimum, shipments of copper and scrap iron received through Holland are reported to be appreciably heavier than normally. The extensive program of German aviation development is also reflected in large orders of aircraft and equipment from foreign sources, especially the United States. Coincident are the provision of the German-Chilean trade agreement authorizing 106,000 tons of nitrate of soda on a duty exemption basis, with the possibility of an additional importation of 30,000 tons before July 1. Well informed sources state, moreover, that heavy stocks of synthetic nitrate are being accumulated. These developments coincide with the most recent reports of qualified observers that German military preparations are progressing on a vast scale.

* * *

Irak Oil

The persistent and this time well-founded rumor that petroleum from Irak exploitations will at last come to the coast at Tripoli, through 500 miles of desert, about the end of August or early September has caused a boom in oil stocks on the French Bourse of the Société Française des Pétroles. Shares that had been steady at 500 francs for years, have soared 925 francs in the past few days.

French holdings in these very important oil fields at Mossoul represent approximately 25 per cent beside British and American participation. Not only importance is attached to the potential production of the newly developed fields, as regards its effects on world's supply and prices, but the property in Mossoul constitutes the only French oil resource over which France has complete control.



Wide World Photo

A Coal Port in the Industrialized and Much Sought-after Saar Basin

Clarifying Important Issues

Dollar Equalization — Taxation — New Rubber Plan

Two Billion for Stabilization

THE United States is duplicating with its gold exchange stabilization fund the mystery which has ever surrounded the similar fund of the British treasury. It is not positively known that the American fund of \$2,000,000,000 has actually been touched as yet. All that is known is that \$1,800,000,000 has been set aside on the Treasury's books as "exchange stabilization fund," that \$100,000,000 of gold certificates were transferred from the Treasury to the New York Reserve Bank in exchange for a credit of an equal amount, and that \$100,000,000 remains in the Treasury's general fund, ready presumably for a similar transfer when the need arises. Suspicion that a part of the credit in the Reserve Bank has actually been used arises from the facts that recently there was a decline of more than \$9,000,000 in a single day in the Treasury's reported gold holdings, and that while in a recent fortnight \$16,000,000 of gold was imported the monetary gold stocks of the country revealed an increase of only \$1,000,000. As there has been no apparent reason in the exchange situation for selling gold, it has been guessed that the exchange fund has been used secretly to acquire gold imports and gold released from earmark for foreign account for use in an anticipated emergency.

Out of Gold "Profit"

The stabilization fund was derived from the "profit" made by the Treasury on the gold when the content of the gold dollar was reduced by 41.94 per cent. Its declared purpose is to keep the dollar stable in foreign exchange at the new gold valuation of \$35 an ounce. The Treasury has announced that it is prepared to pay \$35 an ounce and to sell gold at the same price whenever the exchange value of the dollar fell below the gold export point. As this is written however, there is a tendency for the dollar to rise to the point where there is a profit in importing gold from London, and the French franc is within 1½ points of the gold import level.

Under the old gold standard, with paper freely convertible into gold, fluctuations in exchange automatically

corrected themselves through the speculative transfer of gold. That automatic method having been destroyed by the abandonment of the gold standard by the United States it has become necessary for the Government to be in a position to buy and sell gold in order to keep the exchange point of the dollar and other currencies, say the pound and the franc, at the approximate level aimed at by the devaluation. If the dollar should begin to gain strongly on the pound and the franc (that is, if fewer dollars would buy a given number of those currencies) it would be the function of the stabilization fund to cheapen it by providing a surfeit dollar exchange through the forced sale of gold abroad. It is our policy to keep the dollar cheap for the purpose of keeping up dollar prices of American exports. (The cheaper the dollar is, the less foreign currency it takes to buy American exports.) If the dollar fell too much—unduly elevating the cost of imports—the stabilization fund would be used to strengthen it toward the desired level by bidding up foreign exchange, through depressing dollar prices for gold, which would result in a flow of gold from this country and a rise in the dollar in terms of other currencies.

Old Relationships Will Return

If the tendency for the dollar to rise should persist, the fund might be sadly depleted. Eventually there may be a further formal devaluation of the dollar to the full 60 per cent of the President's authority, which would probably be preceded by another period of gold purchasing at increasing dollar prices. Exchange experts think though that owing to the creditor position of the U. S. it will be futile to try to keep the dollar from returning to substantially the old exchange parities of \$4.86 to the pound and about 4 cents to the franc. On that assumption the equalization fund will no doubt be operated in a conservative manner, buying or selling gold or foreign exchange with a view to making the transition slow and steady instead of fluctuating wildly on the way with disturbing effects on commerce.

Rubber Industry Again Attempts Control

THE rubber world is wondering whether the new combination to regulate the output of raw rubber is likely to repeat the history of the notorious Stevenson restriction plan which was organized in 1922. Under that plan the rubber producers became little more than greedy grabbers of any price for rubber, and entirely forgot the original intention of price stabilization. The Stevenson plan, to which the Dutch interests were not subscribers, was essentially a British-Colonial enterprise; nevertheless it resulted in an increase of crude rubber

prices from 40 cents a pound in 1922 to \$1.23 in 1925.

The rocket-like ascension of prices was mainly due to the recovery of the United States from the depression of 1920-21 and the tremendous boom in the manufacture of automobiles and their tires. Prices of manufactured rubber goods in the United States ascended skyward and tires which had formerly sold for \$20 or less went as high as \$50 and \$60. The same size of tires can be bought today for \$12 to \$15. Consumer resistance developed sharply in the United States and was organized and stimulated by

Herbert Hoover, who was then Secretary of Commerce. Old tires were used as long as possible and great emphasis was placed on re-use of their rubber. This resulted in a precipitate collapse of rubber prices, while at the same time the Dutch East Indies, which were not in the Stevenson agreement rapidly increased their production. Finally, the Stevenson program collapsed in 1928.

When announcement was made on April 29 this year of the intention to create a new East Indies rubber restriction program, prices jumped from 12¼ cents to 15¼ cents a pound, but weakened recently when "International Rubber Regulation Committee," in charge, announced a moderate program of restriction for the last seven months of 1934; namely, full export quota assigned to each rubber territory to prevail during June and July, 90 per cent in August and September, 80 per cent in October and November, and 70 per cent in December. The proposed agreement which now awaits only official confirmation and necessary legislation, having had preliminary approval of the various colonial and central governments involved, is intended to run for five years.

Unlike the Stevenson agreement, the Dutch are members of the new restrictive enterprise, and Siam and French Indo-China are also included, the former being allowed a special concession of new planting, and the latter particular export privileges. Fully 90 per cent of the producing areas of the entire world is covered. The plan is to avoid further planting of rubber trees in now developed areas, limits replanting to 20 per cent and forbids the exportation of tree stock to other regions. It is intended to hold world production in 1934 to approximately a million tons and to permit an increase of about 25 per cent by 1938, precisely, to 1,251,000 tons, not including the exports from Indo-China.

The general disposition at present of the great rubber consuming companies of the United States is to view the new agreement tolerantly and to give it the benefit of the doubt as to its purposes and prospects. It is well understood here that an important factor in the continuation of the world-wide depression is the low price of raw rubber. The losses of American manufacturers in export markets have more than offset gains that may have resulted from the ruinously low prices of rubber which reached as low as 3 cents a pound in March,

The following quotas have been allotted for the next five years:

(French-Indo China has an uncertain allowance)

	Long Tons				
	1934	1935	1936	1937	1938
Malaya.....	504,000	538,000	569,000	589,000	602,000
Netherlands India.....	352,000	400,000	443,000	467,000	485,000
Ceylon.....	77,500	79,000	80,000	81,000	82,500
India.....	6,850	8,250	9,000	9,000	9,350
Burma.....	5,150	6,750	8,000	9,000	9,250
North Borneo.....	12,000	13,000	14,000	15,500	16,500
Sarawak.....	24,000	28,000	30,000	31,500	32,000
Siam.....	15,000	15,000	15,000	15,000	15,000
	996,500	1,088,000	1,168,000	1,217,000	1,251,500

last for 10 months at the present rate of consumption. The United States supply is calculated at nine months. As the consumption of rubber is permanently increasing, particularly in Japan and Czechoslovakia, the rubber planters are confident of prosperity just ahead if they can effect orderly control of production. Should the producers again become greedy, however, the United States will not again be alone in vigorous opposition to oppressive monopoly.

The essential difference in policy of the new plan from the Stevenson plan is that it rests its hope of stabilization on control of production instead of direct price control. The most plainly visible fly in the ointment at present is the possibility of rapid development in French Indo-China. The bud-grafted rubber trees of that developing region produce a larger percentage of rubber per tree than those of any other country; and on the basis of present plantations the production may run to 60,000 tons by 1941, as compared with 13,000 a year ago. The danger is that the already certain increase of production in Indo-China may involve a future rupture of the regulatory plan. However, the plan inherently appeals to all the colonial governments and their mother countries because of the dire necessity of improving the economic condition of the dependencies. Skeptical observers who have noticed the virtually unbroken record of failure of all natural product price control schemes expect that the new rubber agreement will run true to type. It is predicted that it will be impossible to manage the thousands of small native planters now in the business who were not in existence at the time of the Stevenson plan. There is also the possibility that prices may advance so high and so rapidly as to invite competition from reclaimed rubber. There is the further

possibility that encouraging prices will stimulate the development of synthetic rubber manufacture.

American manufacturers and distributors of rubber goods, particularly automobile tires and tubes and rubber footwear, may find their business seriously

Earnings of Leading Rubber Companies

Company	Dollars a share by years					Recent Price
	1929	1930	1931	1932	1933	
Goodyear.....	9.34	3.16	0.14	d4.24	d0.79	29
Goodrich.....	4.53	d8.55	d8.01	d6.73	d0.46	13½
Firestone.....	3.27	d0.65	1.26	1.07	d0.21	18
U. S. Rubber.....	d1.31	d8.32	d9.73	d10.55	d3.50	19
General Tire.....	15.98	6.35	d4.01	0.15	2.67	78

d—Deficit per share.
Note: Above data computed before adjustments for inventory and foreign exchange variations; the full effects of rising and falling rubber prices in the above five years are reflected in these earnings.

affected if much of a price increase results from the new agreement. The planters are reported to be of the opinion that 22 cents a pound is fair remuneration for them. In fact, minimum. As the average tire takes 14 pounds of rubber, an increase in price from the 3 cents of 1933 to 22 cents, would mean a basic increase of \$2.66 in the price of tires; but on this would be imposed the manufacturers' gross profit margin and also the percentage allocated for distribution. It is not thought, however, that such an

increase would be restrictive of sales of finished goods or of demand for natural raw rubber.

All of the American companies which have producing rubber plantations would be subject to the producers' agreement and would not derive any particular supply advantage from the production of their own raw material. On the other hand, their revenues as raw rubber producers would be increased by any lifting of the price of crude rubber.

More and Still More Taxes

THE Federal debt is in the neighborhood of twenty-four billions of dollars, while states, counties and municipalities have obligated themselves to the extent of some eighteen billions of dollars more. On all this interest must be paid and, in theory, the whole debt must be paid off some day. In total, it is a new high record for the country. Following the War, we prided ourselves in the rapidity with which the Federal debt was being reduced and serenely ignored the fact that the debt of other governmental bodies was rising at an even faster rate. Since the depression the trend in all kinds of public debt has been unmistakable. It has been sharply upward.

	1926	1930	1932
United States	\$73.84	\$83.33	\$64.09
United Kingdom	90.93	92.68	93.85
Germany	44.56	53.97	37.65
France	41.99	56.30	54.26

For all this the taxpayers of the country are obligated. The President has just signed the new revenue bill which is estimated to raise an additional \$417,000,000 for the Federal Government. Throughout the states, counties and municipalities there are a myriad La Guardias losing sleep over the effort to devise new ways of removing the shirt—already rags—from the taxpayer's back. The new Federal law is a "soak the rich measure"—and is no better for being so. Its highlights include the reduction of the levy on small incomes, higher estate, gift and surtaxes, a direct capital levy (as if the depreciation of the dollar did not go far enough along this line) a minor change in the perverted view that capital gains are income, a basely-motivated tax on Philippine cocoanut oil and, finally, the business-disrupting provision prohibiting consolidated returns.

Nor is it as if the hard-hit taxpayer can derive any consolation from the thought that he is producing enough. He digs down into his pockets deeper and deeper, but never has the satisfaction of finding that he has gone deep enough. One shudders to think what our taxes will be when the Federal Government balances its budget and all the states, counties and municipalities do the same.

Neither is it possible for the American taxpayer to look abroad and say "But look how very much worse off they are over there." It is true, for example, that the British *per capita* debt is considerably higher than ours, including both Federal and state, and also that their income taxes, especially in the lower brackets, are much higher than ours. But this is far from the whole story and it is quite time the dangerous popular delusion that our taxes here are far below those of foreign countries was killed quite dead.

The accompanying tables were prepared by the National Industrial Conference Board.

Table I shows that in 1930 the individual in Great Britain paid, in all forms, only some 10 per cent more than the individual in this country—a popular guess probably would have been that over there they paid two or three times what we did. Also, while the year 1932 shows a bigger margin in our favor, the vast unbalance of our budget must be taken into consideration. What would have been the comparison had we raised by taxation all that was spent by our governments? Also, the table is destructive of another delusion in as much as it shows that in France they pay taxes too!

Finally, the table is interesting from another point of view. It shows the tax burden in Germany, although smaller than that of the three other countries, to be quite a heavy one. Now a large proportion of tax revenues in all important countries, including Germany, are re-disbursed by the tax-raising body as interest on debt. Yet, here are our inflationists arguing that by their methods debt is eased, perhaps eliminated, and that this is exactly what we need now to take the burden from the shoulders of individuals and public bodies. While no one can deny that a sufficiently vigorous inflation will wipe out debts, past history also shows very clearly that, in addition to doing this, it almost kills the patient, and that this unfortunate can only get on his feet again by borrowing, in "real money" almost what he owed originally.

This, however, is somewhat aside from the point. Table I fails to take into account a very important consideration, namely, "capacity to pay." The real tax burden must be measured by its relation to the individual's income. Here the Conference Board is again helpful, as shown in Table II.

	1926	1929	1930	1931	1932
United States ...	11.0	11.8	14.6	17.1	20.3
United Kingdom .	23.0	21.4	22.2	25.7	..
Germany	18.6	18.9	20.2	21.4	21.9
France	19.3	22.5	23.5	25.2	..

This table is significant as an illustration of how taxation's percentage of total income has gone ahead by leaps and bounds in the United States, nearly doubling between 1926 and 1932, and, although the individual's true burden is still some 25 per cent under that imposed on the unfortunate inhabitant of Great Britain, a year or two's continuance of the present trend would make it possible for us to boast that, in yet another sphere, things were bigger and better here—that we had become the "most heavily taxed people in the world."

Happening in Washington

By E. K. T.

The President committed a curious blunder when he permitted the Department of Justice to seek an indictment against Andrew Mellon, former Secretary of the Treasury, for alleged lapses in his personal income returns. The charges did not get to first base with the grand jury, which is a pretty good demonstration that they must have been of a most flimsy nature. The significance of this blunder is that like the postal air mail service bull it was of petty politics origin, something that an Administration which justly claims to be of much more than mere partisan responsibility and authority should have most carefully avoided. Attorney General Cummings is undoubtedly the instigator of this glaring mistake, but the President will and should receive the condemnation.

Relatively minor affairs of this sort often do more damage to an Administration than mistakes of major policy.

Darrow's N R A investigation is another mess which might have been avoided. It was a job for cold and impartial inquiry and judicial decision. Darrow is constitutionally against authority of all kinds, for rebels and against rulers. Four other members of the commission are of the type that would delight in making trouble for big business. N R A is boiling over with suppressed resentment against this biased investigation. It has troubles enough without having them manufactured. The charge that some of the big codes are administered to the detriment of small concerns is silly, as a general proposition. Plenty of small concerns have suffered under N R A but that is because the National Industrial Recovery Act was aimed at sweat-shoppers. I know of some instances in which clamorous complainants posing as poor little fellows have turned out to be nothing but oppressors of labor and mean chisellers. The hope of N R A as a constructive institution lies with the big concerns. In these later years many of the heads of great enterprises have developed statesmanlike qualities, and they welcomed N R A as a golden opportunity to see what could be done by business management, under Government authority and supervision, to take some of the ups and downs out of economic life.

Such men have leaned backward to see that the little fellows got all that was coming to them. If they are discouraged by authorized slanderers N R A will lose its motive power. It can't work without the co-operation of real business.

Sugar Act is likely to turn out to be sweet for general business, as well as for Cuba. Its the first real attack that has been made on the Cuban problem. As a by-product of the Act, which insures Cuba a fair quota of the American



market, the President reduced the duty on sugar by $\frac{3}{8}$ of a cent a pound which, owing to Cuba's preferential under the Platt amendment, makes the duty on Cuban sugar only $\frac{1}{2}$ cents as against 2 cents hitherto. Coming tariff negotiations with Cuba will probably reduce this to less than one cent. A commendable feature of the act is that imports of refined sugar from Cuba are limited to 22 per cent, thus tending to maintain the sound established practice of refining imported sugar in the United States.

Business now knows the worst of Congress. The Wagner and the 30-hour week bills are dead. The Stock Exchange bill is as good as law, and Congress is in too much of a hurry to get home to welcome any more menacing measures or to wrangle over those on the calendar—silver excepted. Besides the "swing to the right" is gaining strength though some of the swing results more from fatigue than from volition. The President is tired of the endless succession of legislation, factional quarrels and brain trust throbs and eager to turn his attention to administration. He has all the new implements and instruments he wants, for the time being.

He is impatient to begin pushing buttons and pulling levers. I am told that he is particularly keen to get his hand deep into the National Recovery Administration and A A A, and restless to begin tariff trading.

Silver bill may give him a delightful gadget with which to try again the mystic game of raising prices by cheapening money. The President does not concede that the attenuated dollar has finally flopped, but he is disappointed. Doc Warren sold him the idea last October that price levels would be out of the trenches by February. Not being out then, they were kept where they were by status quo devaluation.

The introduction of silver as basic money gives another opportunity to see whether a lot of cheap hard money can make a lot of business. Manufacturing prosperity still fascinates the President.

Reactionaries are trying hard to make it appear that Reed's victory over Pinchot in the Pennsylvania Republican primaries was a blow for the President. They forget that registration showed that a large part of the Republican progressives in Pennsylvania have gone over to the Democratic party. That left the G.O.P. loaded up with Conservatives, who have always been constitutionally against Pinchot.

If I had to judge the matter I would say that the Pinchot vote was an amazing proof of the popularity of the New Deal in Pennsylvania.

(Please turn to page 162)

Meeting Today's Investment Problems With Safety and Profit

Three Plans for Balanced Investment Programs

By A. T. MILLER

SUCCESSFUL investment is

never easy. Over the past few years it seems to have become more difficult than ever, for in addition to the ordinary economic factors which it is necessary to consider always, the individual is confronted with political policies

of price-raising, regulation of business, curtailment of output and also, in the case of anything with an international flavor, with tariffs, quotas, embargoes and a hundred other restrictions on the free movement of goods and money. One can buy the very soundest of securities for the very best of reasons, and be right on every count, only to have some law passed, or a regulation imposed, by some governmental body that will have the effect of putting the investment boat on the rocks.

Yet, it must not be thought because of the added difficulties that the situation is hopeless. Bad, indeed, is the risk that cannot be offset if only the possibility of its eventuating be recognized beforehand. The three investment programs that accompany this article have been prepared on one basic consideration. They represent an attempt to modify unknown and unknowable hazards by obtaining an average result. It is unreasonable to suppose that all the securities mentioned will ultimately turn-out to have been the best that could have been obtained. On the other hand, the lists have been prepared with such care that it is not an illogical assumption to suppose that with fair periodic supervision those that turn-out satisfactorily will outweigh those that do not.

Before discussing, however, the programs in detail, let us make one point perfectly clear. These lists of securities are more important as an illustration of principles than an end in themselves. They should be considered as the contract bridge problems in the daily papers—not to be memorized

Suggested \$10,000 Program

Quantity	Security	App. Outlay	Return
1M	Treasury Ss, 1951-1955.....	\$1,000	\$30
1M	Chicago, Burl. & Quincy Gen. 4s, 1958.....	1,020	40
1M	Erie Con. Prior Lien 4s, 1996.....	960	40
1M	Massachusetts Gas Cos. 5½s, 1946.....	990	55
10 sh.	Glidden 7% pref.....	1,000	70
25 sh.	Beech-Nut Packing	1,500	75
20 sh.	duPont de Nemours	1,620	52
50 sh.	Loews, Inc.	1,500	50
		<u>\$9,590</u>	<u>\$412</u>

card for card in the forlorn hope that some day one will meet with the identical hand given and stagger one's companions by a remarkable perspicacity, but as showing what has proven a sound course should similar conditions be met in later play. As no bridge hand is exactly the

same as another, so never are the investment needs of two individuals identical. One with a substantial annuity might well reason that this is virtually the fixed income from a bond investment and therefore that he can logically decrease the number of bonds in his selected program and increase the stocks. One with a business of his own might reason that this were a large enough industrial risk and that it were better for him to concentrate more heavily on bonds. There is no end to the possible modification. A man with dependents naturally will be more cautious than one without; a younger man usually can take greater risks than an older one; while a man whose employment is assured need not "play as safe" as the man whose position is precarious.

With the necessity for flexibility understood, something may be said of the specific objectives behind the suggested purchase of the various securities. It will be noticed that all three plans recommend a certain amount of United States Government bonds. These, and also to some extent the high-grade corporate bonds, constitute the cash reserve. The percentage return, of course, is small, but they can always be sold, and sold for about what was paid for them. These high-grade bonds are vulnerable, so far as the individual is concerned, to but one thing—an increase in the cost of living. Whether this is brought about by any so-called inflation, or something which is not generally considered inflation, makes not the slightest difference. If the cost of living goes up, the income that the investor receives from his bonds will buy less, and he therefore suffers. Also,

in this event, coupled with the necessity of selling his bonds, he might suffer an added price loss, for a rise in the cost of living tends, after a time, to raise interest rates and, therefore, depress the price of bonds. Nevertheless, the possible — or probable under present conditions, for the Government still appears bent upon raising prices—disadvantages of a first

class bond do not justify its elimination from investment portfolios together. The disadvantages can be offset, while the advantages remain always.

The preferred stocks have been included for the purpose of raising the return. As a security, a good preferred is very similar to a bond; a second class preferred resembles more closely a common stock. The preferreds suggested in the accompanying lists vary between strong and medium grade. None warrants the appellation "second-grade."

The common stocks selected are representative of the best companies in the country. This type of security, of course, has disadvantages. These disadvantages, however, are not the disadvantages of a high-grade bond. Indeed, circumstances that would prove adverse to the latter should tend on the whole to benefit stocks, although it might be remarked in passing that a violent rise in the cost of living—i.e., drastic inflation—really benefits no one, for, while stocks tend to rise, their gains fail to offset the rise in prices. Nevertheless, they will be found to provide the majority with the best available insurance against the disaster that conceivably might overtake bonds. This, and the fact that in common stocks there is the possibility of profit, are the principal reasons for their

Suggested \$20,000 Program

Quantity	Security	App. Outlay	Return
2M	Treasury 3s, 1951-1955	\$2,000	\$60
1M	Jersey Central Pwr. & Lt. 1st & Ref. (now 1st) "C" 4½s, 1961.....	930	45
1M	National Steel 1st 5s, 1956.....	1,025	50
2M	Union Pacific 1st R. R. & L. G. 4s, 1947.....	2,080	80
20 sh.	Harbison-Walker 6% pref.	1,940	120
50 sh.	Metro-Goldwyn Pictures 7% pref.....	1,250	94.50
30 sh.	Ingersoll-Rand	1,740	45
20 sh.	Liggett & Myers "B"	1,840	100
40 sh.	Monsanto Chemical	1,680	40
25 sh.	Sherwin Williams	1,650	50
40 sh.	Standard Oil (New Jersey).....	1,640	40
25 sh.	Sterling Products	1,450	95
		<u>\$19,225</u>	<u>\$819.50</u>

ownership in many and varied businesses, old-established and proven. An attempt has been made to embody in every list both stability and the possibility of profit. While these two desiderata need not necessarily be distinct, it is a fact that they usually are. There is the type of common stock, whose dividend is neither likely to be raised nor lowered in the near future and whose market price is ruled more by money rates than any expectation of fundamental change in the business. On the other hand, there are those stocks whose future is less assured, but for which one can foresee greater possibilities should the favorable actually develop. With both types represented in each of the programs, the individual need be in no fear that he is following

a unbalanced plan.

And it is "balance" according to type of security, income, and possibility of profit that is so essential to logical investment at the present time. Because none of us are omniscient, it is only by "balance" that we can hope to escape the worst effects of unknown hazards. It is believed that this requirement is well met in the accompanying programs and that those who follow them, with the modification necessary according to their own need and position, need have no fear for the outcome.

Suggested \$50,000 Program

Quantity	Security	App. Outlay	Return
5M	Treasury 3s, 1951-1955	\$5,000	\$150
2M	Allis-Chalmers Deb. 5s, 1937.....	1,960	100
2M	Armour & Co. (Ill.) R. E. 1st 4½s, 1939.....	1,960	90
2M	Baltimore & Ohio 1st 4s, 1948.....	2,000	80
2M	Cons. Gas, El. Lt. & Pr. of Balt. 1st Ref. 4s, 1981.....	2,060	80
2M	Lake Shore & Mich. Sou. 1st 3½s, 1997.....	1,840	70
2M	Public Service of New Jersey Perp. 6% certs.....	2,320	120
20 sh.	General Mills 6% pref.....	2,180	120
20 sh.	National Lead "B" 6% pref.....	2,200	120
20 sh.	U. S. Gypsum 7% pref.....	2,580	140
25 sh.	American Can	2,300	100
30 sh.	Bohn Aluminum & Brass.....	1,590	90
50 sh.	Cudahy Packing	2,200	125
30 sh.	duPont de Nemours.....	2,430	78
25 sh.	Eastman Kodak	2,325	100
25 sh.	Hazel-Atlas Glass	2,225	125
50 sh.	International Nickel	1,300	10*
25 sh.	National Lead	3,500	125
40 sh.	Penney (J. C.)	2,240	88**
50 sh.	Ruberoil	1,500	50
30 sh.	Sun Oil	1,680	30†
30 sh.	United Fruit	2,100	75**
		<u>\$49,490</u>	<u>\$2,066</u>

* Paid this year.

** Partly extra.

† Plus extras.

The Magazine of Wall Street

THE MAGAZINE OF WALL STREET's Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Naturally, it is understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated either

by the tabular matter or by the comment. For those who desire to employ their funds in fixed income-bearing securities we have "double starred" the issues which appear to us most desirable, safety of principal being the predominant consideration; while a single star designates those which, while somewhat lower in quality, nevertheless provide an attractive income, or offer possibilities of price enhancement.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned ¹		Price		Yield to Maturity	COMMENT
			1932	1933	Call ²	Recent		
Central R. R. of N. J. Gen. 5s, 1987.....	56	50	.7	.6	N C	107	4.6	Good bond, tho represents large proportion of total debt.
Chicago & North Western Ry.								
Gen. 5s, 1987.....	428	141	.3	.6	N C	82	6.1	Medium grade.
1st & Ref. 4½s, 2037.....	428	79	.3	.6	N C	52	8.6	Junior to issue above.
Conv. 4½s, 1949.....	428	72	.3	.6	105 '34*	45	13.3	Unsecured. Speculative.
Secured 6½s, 3.1.36.....	428	15	.3	.6	N C	91	11.7	Secured \$18,000,000 Gen. 5s.
Milwaukee, Sparta & N. W. 1st 4s, '47.....	428	15	.3	.6	N C	70	7.7	Outstanding at a high rate per mile. Second grade.
St. Louis, Peoria & N. W. 1st 5s, '48.....	428	10	.3	.6	N C	74	8.1	
Great Northern Ry.								
1st & Ref. "A" 4½s, 1961.....	356	72	.3	.8	105 '41	97	4.7	Prior liens total \$103,000,000. Good grade.
Gen. "A" 7s, 7.1.36.....	356	218	.3	.8	N C	95	9.8	Junior to issue above.
Eastern Ry. Minn. Nor. Div. 1st 4s, '48.....	356	10	.3	.8	105	...	...	Better grade bond.
Montana Central 1st 6s, 7.1.37.....	356	10	.3	.8	N C	103	4.9	Reasonably strong.
St. Paul, Minn. & Man. Cons. (now 1st extd. 6s, 1943.....	356	41	.3	.8	102½*	105	4.3	Better grade.
do Montana Ext. 1st 4s, 6.1.37.....	356	22	.3	.8	N C	101	3.6	Sound issue.
do Pacific Ext. 1st stg. 4s, 1940.....	356	26	.3	.8	N C	...	...	Good bond.
Illinois Central R. R.								
1st 4s, 1951.....	373	13	.8	1.0	N C	100	4.0	Better grade investment.
Ref. 4s, 1955.....	373	62	.8	1.0	107½	84	5.3	Prior liens total some \$57,000,000.
Coll. Tr. 4s, 1952.....	373	15	.8	1.0	N C	81	5.7	Collateral consists first mtge. bonds of feeder roads. Reasonably strong.
15-yr. Sec. 6½s, 7.1.36.....	373	8	.8	1.0	N C	102	5.4	Medium grade.
4% Leased Line Stock Certificates.....	373	10	.8	1.0	N C	62	6.5	Secured by 10,000 shares Chic., St. L. & N. O. Fair holding.
40-yr. 4½% 1966.....	373	35	.8	1.0	102½ '36*	70	7.1	Unsecured by mtge. None too strong.
6% Notes, 1937.....	373	20	.8	1.0	101 '35*	84	12.6	
*St. Louis Div. & Ter. 1st 3½s, 1951.....	373	13	.8	1.0	N C	...	...	Good grade.
Purchased Lines 1st 3½s, 1952.....	373	12	.8	1.0	N C	80	5.2	
Louisville Div. & Ter. 1st 3½s, 1953.....	373	23	.8	1.0	N C	87	4.5	Better grade.
Chic., St. Louis & N. O. Joint 1st Ref. "A" 5s, 1963.....	373	69	.8	1.0	110	79	6.6	Still medium grade, despite betterment in traffic.
L., N. O. & Texas Coll. Tr. 4s, 1953.....	373	23	.9	1.0	N C	74	6.4	Reasonably strong.
Chic., St. L. & N. O. Con 1st 5s, '51.....	373	18	.8	1.0	N C	105	4.6	Good grade.
Kansas City Southern Ry.								
*1st 3s, 1950.....	67	30	.6	.6	N C	77	5.1	Reasonably good holding.
Ref. & Imp. 5s, 1950.....	67	21	.6	.6	105	77	7.5	Junior to issue above.
Texarkana & F. S. 1st 5½s, 1950.....	10	10	1.0	...	107½	90	6.5	Fair grade.
New York, Chicago & St. Louis R. R.								
1st 4s, 10.1.37.....	161	17	.5	.9	N C	99	4.3	Good grade.
Ref. "C" 4½s, 1978.....	161	99	.5	.9	102	64	7.2	Junior to issue above and prior liens thereto.
Notes 6s, 10.1.35.....	161	15	.5	.9	100	74	...	Unsecured and speculative.
Reading Co.								
**Gen. & Ref. "A" 4½s, 1987.....	136	74	1.4	1.7	105	102	4.4	Better grade bond, tho represents large proportion of total debt.
Jersey Central Coll. 4s, 1951.....	136	21	1.4	1.7	105	97	4.3	Collateral is valuable. Good bond.
Texas & Pacific Rly.								
First Cons. 5s, 2000.....	85	25	1.0	1.0	N C	108	4.6	Well secured.
Gen. & Ref. "C" 5s, 1979.....	85	49	1.0	1.0	105 '39*	82	6.2	Junior to issue above.
**Washington Terminal 1st 3½s, 1945.....	...	12	...	...	N C	...	...	Guaranteed B. & O. etc. High grade.

Public Utilities

Am. Gas & Electric Deb. 5s, 2028.....	195	50	1.9	1.7	106*	90	5.6	Among the best of holding company issues.
American Water Works & Electric Co.								
Conv. Coll. Tr. 5s, 1944.....	185	15	1.2	1.2	102*	104	4.5	Security pledged is valuable. Good, sound bond.
Deb. "A" 6s, 1975.....	185	11	1.2	1.2	110*	82	7.4	Medium grade.
Monongahela West Penn Pub. Ser. 1st Lien & Ref. "B" 5½s, 1953.....	24	14	1.5	1.6	105*	85	6.9	Reasonably strong.
Potomac Edison 1st "E" 5s, 1956.....	17	17	1.9	2.0	105*	99	5.1	Entitled to a sound rating.
West Penn Power 1st "G" 5s, 1956.....	50	50	3.5	3.6	105*	107	4.5	High grade.
Buffalo General Electric Co.								
1st Ref. 5s, 4.1.39.....	40	7	2.6	2.1	105	...	...	High grade.
**Gen. & Ref. "B" 4½s, 1981.....	40	30	2.6	2.1	107½*	105	4.3	Junior to issue above, but still high grade.

Street's Bond Appraisals

Public Utilities (Continued)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned†		Price		Yield to Maturity	COMMENT
			1932	1933	Call†	Recent		
Consumer Power								
1st & Ref. 5s, 1.1.36	92	33	3.0	2.5	105	105	2.6	Of the highest grade.
1st & Unif. 4½s, 1938	92	67	3.0	2.5	105*	105	4.2	Junior to issue above, but still high grade.
Florida Power & Light								
1st 5s, 1954	74	52	1.3	1.1	104*	67	8.4	Small margin over charges. Second grade.
Deb. 6s, 1951	74	22	1.3	1.1				All owned by Am. Power & Lt.
Koppers Gas & Coke Deb. 5½s, 1950	41	41	1.9		103½	100	5.5	Good bond.
Nevada-Cal. El. 1st Tr. 6s, 1956	31	28	1.2	1.2	102½*	78	7.0	Represents large proportion of total debt.
**New England Tel. & Tel 1st "B" 4½s, '61	88	75	2.5	2.3	100½	108	4.0	High grade investment issue.
North Amer. Lt. & Pr. Deb. "A" 5½s, '56	193	18	1.0	def.	102½*	52	11.6	None too strong holding co. obligation.
Northern States Power Co. (Minn.) 1st & Ref. "A" 5s, 1941	100	79	2.4	2.2	105*	102	4.7	Better grade investment.
Ref. 4½s, 1951	100	45	2.4	2.2	105*	92	4.8	Almost equivalent security to issue above.
Pacific Gas & Electric Co.								
Gen. & Ref. 5s, 1942	306	96	2.2	2.1	105*	106	4.1	High grade.
1st & Ref. "F" 4½s, 1950	306	170	2.2	2.1	105*	100	4.5	Junior to issue above, but still strong.
California Gas & Electric Unif. & Ref. 5s, 11.1.37	306	11	2.2	2.1	110	107	2.9	Of the highest grade.
Sierra & San Francisco Power								
1st 5s, 1949	306	11	2.2	2.1	110	100	5.0	Pac. Gas guarantees int. Reasonably strong.
2nd "B" 5s, 1949	306	8	2.2	2.1	105			Junior to issue above, but with same guarantee as to interest.
San Joaquin Light & Power Unif. & Ref. "D" 5s, 1957	34	33	1.6	1.6	104*	95	5.4	Reasonably good bond.
Great Western Power 1st 5s, 1946	20	20	1.8	1.6E	106	105	4.5	Better grade.
Public Service Corp. of N. J.								
*Perpetual 6% Certificates	210	19	3.0	3.0	N C	116	5.1	Secured by pledge stock of subsidiaries. Good holding.
Public Service Electric & Gas Co.								
1st & Ref. 4½s, 1957	115	91	3.8	3.7	104½*	106	4.2	High grade.
**United Electric Co. of N. J. 1st 4s '49	115	18	3.8	3.7	N C	105	3.6	Senior to issue above. Highest grade.
Hudson County Gas 1st 5s, 1949		11	3.8	3.7	N C	110	4.1	Strong bond.
South Jersey G., El. & Trac. 1st 5s, '53		13			N C	110	4.2	Better grade investment.
Southern California Edison								
Gen. 5s, 11.1.39	138	13	3.0	2.6	105	107	3.6	Entitled to the highest rating.
Ref. 5s, 1951	138	120	3.0	2.6	105*	105	4.6	Junior to issue above.
Tennessee El. Pwr. 1st & Ref. "A" 6s, '47	47	37	1.9	1.7	105*	79	8.7	None too strong. Rate cut ordered.

Industrials

Am. I. G. Chem. Gtd. conv. Deb. 5½s, 1949	30	30	2.1		110	97	5.8	Real caliber difficult to ascertain. Appears good bond.
*California Packing Conv. Deb. 5s, 1940	13	13	def b	6.9 b	103½	101	4.8	b Years to 2.28. Last year's earnings improve bond's quality.
Chile Copper Deb. 5s, 1947	33	33	def.	.9	101½*	81	7.3	In itself bond is a good one, but outside circumstances none too favorable.
Crucible Steel Deb. 5s, 1940	13	10	def.	.5	101½	91	6.9	Outlook improved, the still medium grade only.
General Steel Castings 1st "A" 5½s, 1949	17	17	def.	def.	107½*	87	6.9	Doing better. Medium grade.
Inland Steel 1st "A" 4½s, 1978	41	41	def.	1.1	102½*	98	4.6	Strong bond.
Liggett & Myers Tobacco Co.								
Deb. 7s, 1944	28	13	14.8	11.1	N C	126	3.8	Industrial obligation of the highest grade.
Deb. 5s, 1951	28	15	14.8	11.1	N C	113	3.9	Junior to issue above, but still high grade.
Socony-Vacuum Corp.								
Std. Oil of N. Y. Deb. 4½s, 1951	87	65	2.3	4.9	101*	103	4.3	Strong bond, tho not secured by mtge.
Gen. Petroleum 1st 5s, 1940	87	16	2.3	4.9	102½*	105	4.0	Assumed Socony-Vacuum. Also strong.
Strawbridge & Clothier 1st 5s, 1948	11	11	.8	1.5	102¾*			Strengthened by last year's improvement.
Union Gulf Coll. Tr. 5s, 1950	44	44	1.4a	def a	103*	105	4.6	a Gulf Oil (Pa.) earnings, virtually guarantor of issue. Better grade.

Short-Term Issues

	Due date							
Armour & Co. (Ill.) R. E. 1st 4½s	6.1.39	38	2 n	1.5n	102½	99	4.7	n Years to 10.31. Good bond.
Bethlehem Steel P. M. & Imp. 5s	7.1.36	23	def.	def.	105	103	3.4	Better grade.
Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	3.2m	2.9m	N C	107	2.7	m Earnings Sou. Bell Tel. assuming co. Highest grade.
Edison Electric Ill. (Bos.) Notes 5s	5.2.35	61	2.6	2.3	100½*	103	2.0	Company enjoys a fine credit standing.
**Pennsylvania R. R. Sec. 6½s	2.1.36	60	1.2	1.2	N C	106	3.4	Pledged security includes \$60,000,000 general mtge. bonds, which are good grade.
**Texas Power & Light 1st 5s	6.1.37	25	1.8	1.8	105	102	4.3	Of good investment caliber.
Third Ave. R. R. 1st 5s	7.1.37	5	2.0		N C	98	5.7	Among the stronger traction issues.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. E Estimated. ** Our preferences where safety of principal is predominant consideration. * Our preferences where some slight risk may be taken in order to obtain a higher return.

Most Rail Dividends Must Wait

With Few Exceptions, Working Capital Has Been Reduced and Necessary Maintenance Has Been Deferred

By H. F. TRAVIS

IN 1932 the railroads failed to earn their interest charges by approximately \$153,000,000. Due to improved earnings, which began to manifest themselves in the middle of last year, the railroads failed to earn their interest requirements for 1933 by only 13.8 millions of dollars. For the quarter ended March 31, 1934, net railway operating income was 77.7 million dollars greater than that reported a year ago. With carloadings for the seventeen weeks ending April 28 reflecting an increase of 19.3% over loadings reported in the corresponding period a year ago, the holder of railroad shares is again beginning to think of dividends, after a lapse, in some instances, of more than three years. Such expectations are not without ample justification, because increased operating efficiency has enabled the railroads to retain 50% of the gain in total operating revenues of the first quarter for net railway operating income. This, however, is but one side of the situation. Any conclusions drawn from the foregoing results alone, regardless of how great an improvement is reflected, would not be based on sound premises, because other factors influencing dividends must be carefully weighed.

Among the more important considerations are, (1) Financial aspects, (2) The amount of maintenance deferred during the depression, (3) Influence of legislation and finally, the effects of increased wages. Each of these influences exerts an important bearing upon the future payment of dividends, and hence merits careful consideration.

Of the various influences mentioned, the financial aspects are the most important. Briefly, there are two distinct phases to consider.

Working Capital Position

December 31st	THOUSANDS OF DOLLARS		
	1931	1932	1933
Current Assets	1,194,601	1,040,868	1,019,819
Current Liabilities	1,039,780	1,037,373	1,171,527
Ratio	1.15: 1	1.00: 1	0.87: 1
Net Working Capital	154,821	2,595	151,708*
Cash, Etc.	479,672	433,292	438,492
Loans & Bills Payable	242,505	292,184	377,909
Loans from R. F. Corp.		272,471	337,079

*Deficiency.

One of these is the question of railroad working capital, which, by the end of 1933 was depleted to the extent that a deficiency existed, as is apparent upon examination of the accompanying table.

One has but to observe the reduction in cash, accompanied by the sharp increase in loans and bills payable, to note the havoc wrought by insufficient earnings for interest. The memory of these difficulties, which became very acute in 1932 and persisted throughout 1933 for many railroads, should serve to sober the judgment of even the less conservative type of railroad director. And, if these are insufficient, he has but to recall the problem of meeting maturing issues of mortgage bonds or equipment trust certificates, or the pressure of the banks for the repayment of their short loans, which brings us to another phase

of the financial problem.

Those railroads which have substantial amounts of bonds falling due for payment will, of necessity, be compelled to act with extraordinary conservatism. It will be necessary to accumulate cash to meet smaller amounts of maturing obligations, equipment trust certificates, etc., and pay-off current loans to banks to preserve credit to a sufficient degree to permit the sale of substantial amounts of bonds to meet the larger maturities. Furthermore, as a result of the necessity of railroads to resort to various government agencies for assistance, such as the Reconstruction Finance Corporation, Railroad Credit Corporation and the Public Works Administration, the scope of railroad credit has greatly broadened. Hence, before any dividends can be paid, much of the floating indebtedness now appearing on railroads' financial statements, must be eliminated. Furthermore, the railroads, in all fairness to those whose financial aid enabled them to weather their difficulties during the past three years, cannot do otherwise. There can be little doubt that the dominating factors in the payment of dividends will be a strong cash position, freedom from floating debt and satisfactory conditions for the sale of securities to finance capital expenditures, rather than improved traffic alone.

Maintenance expenditures fall in two classes—maintenance of way and structures and maintenance of equipment. A common factor influencing both of these, are wages and the cost of materials. The latter, especially, has reflected a tendency to rise so that aside from the amount of maintenance expenditures actually deferred, the increased cost is to some ex-

Deterioration of Equipment

Year Ending Dec. 31	PERCENT UNSERVICEABLE	
	Freight Train Cars	Locomotives
1926	6.5	16.4
1927	5.9	16.1
1928	6.2	16.3
1929	6.0	16.4
1930	6.2	17.5
1931	7.9	20.7
1932	10.6	26.6
1933	14.2	32.7

tent due to these influences. With respect to maintenance of way and structures, it is extremely difficult to judge the amount of deferred expenditures. The condition of roadway, track and structures of each individual carrier, as well as its maintenance policy over a period of years, arising from an intimate knowledge of the property, is the only guide. Such roads as Atchison, which has not paid dividends for the past two years, are undoubtedly in excellent physical condition. Practically the same considerations would apply to such roads as Great Northern, Northern Pacific and Southern Pacific. Some idea of the extent of the amount of the deferred maintenance is available by determining the size of the loans by each individual carrier from the Public Works Administration, as well as the purpose for which such borrowing has been allocated. Some of these loans are distinctly of a capital nature, as for example that of \$84,000,000 secured by the Pennsylvania Railroad to complete the electrification of a portion of its lines. Other roads have also borrowed from this agency to purchase rails and other track appurtenances to rehabilitate their property. Such loans, which incidentally are not of a capital nature, tend to reflect more accurately the degree of deferred maintenance by the carrier in question. Furthermore, while these loans are available on relatively easy terms, they must be liquidated serially. No interest is charged during the first year of the loan and 4% is payable over the life of the loan, which is for thirteen years. Principal is to be paid off by semi-annual installments. Aside from affording an idea as to

Financial Position of Leading Roads

	December 31, 1933	Reconstruction Finance Corp.	Railroad Credit Corp.	Public Works Administration	Maturities of Mgt. Bonds & Eqt. Tr. Cts. 1934
	Net Working Capital	Loans & Bills Payable			
Atchison.....	\$33,388,981				
Baltimore & Ohio.....	15,068,557	\$22,102,367	\$69,514,178	\$3,428,100	\$4,230,000*
Delaware, Lack. & West..	9,625,332	13,000,000		1,000,000	
Great Northern.....	11,920,229	5,265,536		3,000,000	
Louisville & Nashville...	20,865,940				1,158,000
N. Y., N. H. & Hartford..	14,944,473	20,724,609	578,223		2,258,000
New York Central.....	34,997,528	69,200,000	27,499,000	4,000,000	6,850,000*
Northern Pacific.....	16,475,894				71,932,343
Pennsylvania.....	37,424,689				1,250,000**
Southern.....	988,603	1,456,921	14,751,000		79,000,000**
Southern Pacific.....	12,424,360	21,500,000	23,200,000		5,800,000
Texas & Pacific.....	3,289,718	297,153	700,000		4,028,200
					12,970,736*
					10,921,660
					1,159,200

* Towards deferred maintenance.

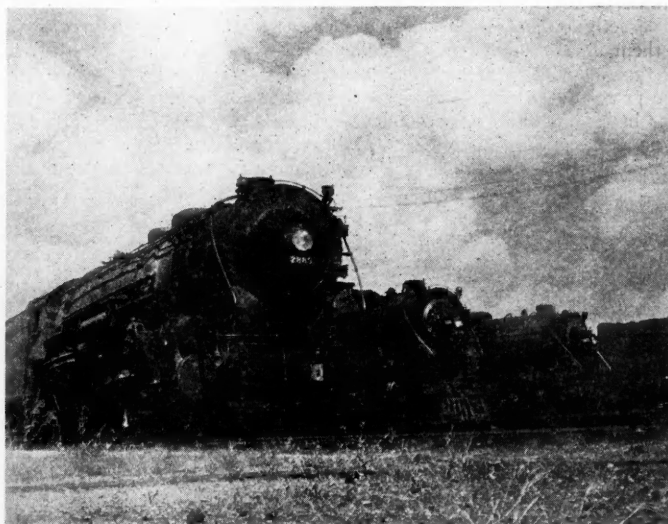
** Applied towards capital expenditures.

the amount of deferred maintenance, the Public Works Administration loans also indicate the amount of net income actually available for distribution for dividends, because these loans must be paid off. For the maintenance of equipment, some data is available, but here the latter is apt to be highly misleading. The permissible standards for unserviceable freight cars and locomotives, as set up by the American Railway Association are 5% and 15% respectively. The amount of unserviceable equipment at the end of each year is shown in an accompanying table. As is apparent, the proportion of unserviceable engines rose greatly above permissible standards by the end of 1932. It continued throughout 1933. It is doubtful if this situation can be obviated by heavy expenditures on re-

istence. The older engines, lacking the tractive power to haul heavier trains at greater speed and less fuel consumption, are due to be retired as soon as possible, providing adequate reserves exist. The motive power situation was criticized by J. B. Eastman, Federal Co-ordinator and member of the Interstate Commerce Commission, in a special report. Some of the railroads are already borrowing money from the Public Works Administration to purchase new locomotives or to modernize existing engines, provided the latter are susceptible thereto. However, radical changes in locomotive design obtaining greater economies is the solution for this problem. This can only be solved by capital outlays and would not affect maintenance of equipment expenditures to any degree. Possibly, such efforts would reduce it because of the low repair costs for the first few years of the operation of the new engines.

The same considerations apply to freight cars. Numerous obsolete, wooden units are being retired but the existing low volume of traffic makes replacement unnecessary for the present. In addition, the proportion of all steel equipment on which repair costs have been steadily reduced over a period of years, leaves some doubt as to the existence of any

(Please turn to page 158)



Fechner Photo from Nesmith

Prosperity Is Offered to Petroleum

With Demand Rising and Federal Control of Crude Output in Sight, the Industry Needs Only to Stabilize Its Own Marketing Practices

By EDWIN A. BARNES

RECENTLY, there have been three definite developments affecting the oil industry, two of which, at least, promise to have an important bearing on current prospects. Secretary of the Interior Ickes' bill for Federal regulation of production has been introduced in Congress by Senator Thomas of Oklahoma; the revised plan to stabilize the national gasoline marketing structure has been approved and temporary quotas have been established; and the Department of Justice has postponed argument of the East Texas appeal case before the United States Supreme Court until fall. Added interest is given to these events by the fact that they have occurred at the beginning of the season of heaviest consumption for the oil industry—for it would seem that either directly or indirectly dependent upon them is the stability of the entire industry.

Last September, when the petroleum code became effective it was hailed on many sides as the ultimate panacea for all of the ills from which the industry had long suffered. The reasoning ran something like this: Was it not a well known fact that throughout the depression the industry had been blessed with a relatively stable volume of consumption but cursed with an unprofitable price structure? But with the code placing powerful weapons of control in the hands of Administrator Ickes, a favorable adjustment of prices would be a simple matter; inventory losses would disappear and profits would mount. (What's more, they did.)

Curiously enough, however, the voice of the oil industry itself was conspicuously absent from the cheering sec-

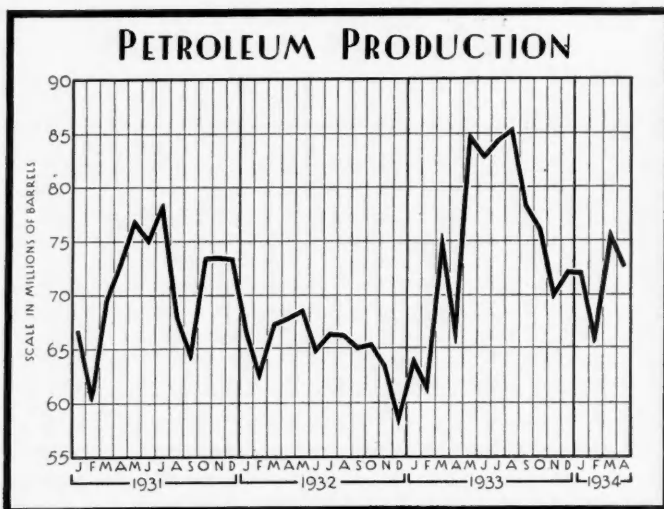
tion. The Government had intervened in its behalf and had succeeded in bringing some semblance of order out of chaos. But contrary to embracing the code and accepting the Government as its paternal benefactor, the attitude of the industry became one of skepticism and apprehension—skeptical of "governmental meddling" and apprehensive of the vast powers vested with the Administrator.

The oil industry has often been likened to a large and quarrelsome family, never quite able to keep peace and harmony among the many step-children and cousins. With the threat of government control, however, jealousies were forgotten and quarreling subsided and, like any family, however quarrelsome, the industry has united in a common bond against the outsider. To date it has been singularly successful in resisting all regulations which were not to its liking. The elaborate price-fixing plan of Secretary Ickes, for example, was, after several postponements, rejected and never imposed.

The Administrator is resourceful and determined and, on the record, it ap-

pears that his price-fixing schedule was abandoned only after the industry had itself proposed an alternative plan. This plan, sponsored by the leading companies in the industry, provided for the formation of the National Petroleum Agency which would "purchase, hold, and, in an orderly way, dispose of surplus gasoline which threatens the stability of the price structure, in an effort to bring the prices of gasoline into proper relationship with the price of crude oil and maintain and support such relationship." Another agreement signed by the same companies defined the margins under which distributors, jobbers, wholesalers and retailers would operate. This was designed to place the financial responsibilities for local gasoline price-wars upon producers and refiners. Vociferous opposition was raised to these plans by Senator Borah and the small independent companies, charging monopoly and exploitation of the consumer. Apparently heeding the voice of the opposition, Administrator Ickes did not endorse these plans.

The Government then came to bat and the Petroleum Administrative Board led off with a plan to replace Article IV of the original petroleum code, and designed to stabilize refinery operations and balance gasoline supply with demand. Thereupon the industry, as represented by 24 leading refinery companies, in consternation stated through the medium of the American Petroleum Institute, "they view very seriously control of their refining operations, by other authority than their own . . . are definitely opposed to legislative control of refining operations and



feel that such a course is entirely inconsistent with the voluntary co-operative program." These companies, representing over 80% of the refining industry then submitted a voluntary co-operative program which, in effect, literally substituted the term "may" for "shall" in Administrator Ickes' plan. In other words regulation and control would be voluntary by co-operation rather than mandatory by legislation. After increasing the membership of the planning and co-ordination committee from 15 to 26 members, in order that all factions, the Government, the large integrated companies and the small independents alike, might have proper representation, Administrator Ickes approved the plan.

Official Approval

In approving the plan, Mr. Ickes declared, "I believe that in approving the refinery plan and by increasing the membership of the planning and co-ordinating committee, ample opportunity is provided for the industry to demonstrate its capacity to work out its own problems with the Federal supervision provided in this amendment." Much that is significant can be drawn from these remarks. The Administrator has virtually said to the oil industry, "Here you are gentlemen. I am approving your plan. If you fail to abide by it or the results are not satisfactory the Government will step in and assume control."

The latter contention is further borne out by the fact that the Federal Petroleum Act, the title of the Ickes bill recently introduced by Senator Thomas, deals primarily with crude production and makes no mention of the refining and marketing divisions. In other words, it is the intention of the Government to permit the industry ample opportunity to work out its own salvation in these branches. Let it not be hastily concluded, however, that the Government has any intention of permitting the industry to lapse into the disorder and chaos of early last year . . . if it can be avoided. Doubtless Administrator Ickes hopes that his en-

dorsement of the industry's refining plan would gain support for his bill for the control of crude production, which in the final analysis is the real basis for stability—or the lack of it. With crude supplies in hand, the refining and marketing divisions would benefit as a matter of course, as many authorities have long contended.

If the industry is successful in making effective its efforts toward self-regulation of refining and marketing, then so much the better, but its efforts to control crude supplies in the past offer no hopeful criterion. If Secretary Ickes does not appear to have any too much faith in the ability of the industry to solve its problems, he can hardly be blamed, and his anxiety to enlarge and perpetuate the provisions of the National Industrial Recovery Act with respect to the oil industry cannot be lightly dismissed as being inspired by political motives seeking bureaucratic control. Oil, unlike steel or automobiles, is an irreplaceable product and it is vitally important that national oil reserves, regardless of their size or probable duration, be conserved. The sooner the industry realizes this and acts accordingly under responsible leadership the better it will be for all concerned. If the industry eventually finds itself in the position of being policed, it will have only itself to blame for the reckless manner in which simple economics have been disregarded in the past.

This is rather forcefully exemplified in the latest proposed legislation—the Federal Petroleum Act. Prior to the formal introduction of this bill, unconfirmed reports as to its content were circulated throughout the industry and the fear of tighter regulations involving every phase of the industry became widespread. Indeed, the petroleum industry was to become a public utility. It was with distinct relief, therefore, that the industry read a bill which, contrary to providing control from the oil well to the gasoline pump, was limited to the control of crude production and supplies. In omitting any mention of the marketing and refining divisions, or provision for the divorcement of pipe lines and other transportation facilities from the companies, the bill not only concentrates upon the basic faults of the industry but its chances for passage are facilitated by avoiding the controversies which would inevitably develop had its scope included all branches.

Federal Petroleum Act

As the Federal Petroleum Act stands at this writing, the original having been redrafted in several sections, it provides that Secretary Ickes shall at periodic intervals determine the demand for consumption, both domestic and export, and upon this basis prescribe production quotas to such an extent as to conform with demand. Quotas will be set up for states, pools, fields, leases or properties, storage units, or other sources of supply. The bill provides for the orderly and scientific development of new fields. It is made unlawful for any person to produce petroleum in excess of prescribed quotas for production, or to manufacture, buy, sell, or otherwise deal in crude petroleum or any petroleum product, when the crude petroleum is known to have been produced in

excess of such quotas. Secretary Ickes is empowered, in the event that it is necessary to enforce conformance with quotas, to issue certificates of clearance, and it will be unlawful and punishable for anyone to receive or transport



Courtesy, The Texas Co.

Texaco's Plant at Port Arthur, Texas

Moreover, while there is no way of foretelling the measure of success which may attend the Government's efforts, there is no doubting its sincerity of purpose and willingness to meet the industry half way.

crude and refined products unaccompanied by such certificates. Import quotas, a highly significant feature, will also be established for petroleum, petro-

leum products and natural asphalt. Further, the bill provides that so long as valid regulations or orders relating to production or movement of

petroleum issued by any duly authorized state board, commission or officer prove effective in carrying out the (Please turn to page 156)

Position of Leading Petroleum Stocks

	Earned per Share		Price Range		Percent Price	Dividend	Yield %	Market Rating	COMMENT
	1932	1933	1934						
Atlantic Refining.....	1.45	2.46a	35 $\frac{1}{4}$	24 $\frac{1}{2}$	25	1.00	4.0	C-2	Company operates in highly competitive territory. Strong financial position and earnings of 23 cents a share in first quarter assure security of dividends.
Consolidated Oil.....	0.05b	d0.05	14 $\frac{1}{4}$	9 $\frac{1}{2}$	10	0.28	2.8	C-3	Reduction in company's funded debt and preferred stock since 1929 has resulted in a savings of \$2,600,000 annually. Shares have speculative attraction.
Continental Oil.....	d0.30	0.18	22 $\frac{1}{4}$	16 $\frac{1}{2}$	18	0.25	1.4	C-3	Funded debt being reduced. First quarter earnings of 25 cents a share suggest the probability that company will pay additional dividends this year.
Gulf Oil.....	0.60	d2.51	75 $\frac{1}{4}$	58 $\frac{1}{2}$	60	None	...	C-2	Company reduced funded debt nearly \$8,000,000 last year. With no further outlays for new properties planned at this time, the possibility of dividend payments is strengthened.
Houston Oil.....	d1.31	d0.93	5 $\frac{1}{2}$	3 $\frac{1}{2}$	4	None	...	C-3	Natural gas operations contribute the bulk of earnings. Capitalization heavy in relation to developed earning power. Shares are devoid of attraction.
Humble Oil.....	1.68	2.33	46 $\frac{1}{2}$	33 $\frac{1}{4}$	42	1.00	2.3	C-2	Controlled by Standard Oil of New Jersey. Company is an important producer of crude and holds large reserves. Shares are in investment category and may be acquired to advantage for longer term holding.
Mid-Continent Pet.....	d1.12	d0.95	14 $\frac{1}{4}$	11 $\frac{1}{2}$	12	0.25	2.0	C-3	Operations completely integrated but refining and marketing are the more important phases. Strong financial position. First quarter earnings equal to 16 cents a share. Stock has speculative possibilities.
Ohio Oil.....	0.58	d0.54	15 $\frac{1}{2}$	11 $\frac{1}{2}$	12	0.15	1.3	C-3	Company is a leading producer and distributor of crude oil and holds large reserves in low cost areas. No funded debt. Strong financial position. First quarter earnings amounted to 8 cents a share on the common.
Phillips Petroleum.....	0.19	0.36	20 $\frac{1}{4}$	15 $\frac{1}{2}$	17	0.50	3.0	C-3	Funded debt has been substantially reduced and all bank loans paid off. Company is now a completely integrated unit. Stock earned 17 cents a share in the first three months this year. Shares possess speculative attraction.
Pure Oil.....	d0.64	d0.53	14 $\frac{1}{2}$	8 $\frac{1}{2}$	10	None	...	C-3	Important company well represented in all branches of the industry but existence of large funded debt and preferred stock capitalization deprives common stock of attraction.
Royal Dutch.....	0.75	N.F.	39 $\frac{1}{2}$	33	34	None	...	C-2	Company's vast facilities give it a position of outstanding importance in world oil affairs. Absence of late information precludes accurate appraisal of stock.
Shell Union.....	d0.12	d0.19	11 $\frac{1}{2}$	7 $\frac{1}{2}$	8 $\frac{1}{2}$	None	...	C-3	Extensive expansion of facilities in recent years has necessitated a substantial increase in funded debt and preferred stock. In last two years, however, debt has been reduced nearly \$36,000,000. Financial position strong but shares are essentially a long pull speculation.
Socony-Vacuum.....	0.17	0.73	19 $\frac{1}{2}$	14 $\frac{1}{2}$	15	0.60	4.0	C-2	A leading domestic company also having important foreign interests. A reduction of \$16,000,000 in funded debt in last two years has strengthened equity for the common but large number of shares outstanding precludes a rapid rise in per-share results.
Standard Oil of Cal.....	1.07	0.58	42 $\frac{1}{2}$	32	32	1.00	3.1	C-2	Leading Pacific Coast unit, owning reserves of great potential value and extensive refining and marketing facilities. Stock earned 25 cents a share in first quarter and is worthy of investment consideration.
Standard Oil (Indiana).....	1.04	1.14	32 $\frac{1}{4}$	25	25	1.00	3.9	C-2	Rated as the largest refiner and marketer of petroleum products in the Middle West. Funded debt reduced from \$57,575,500 at the end of 1930 to \$125,000 at the end of last year. Current earnings should register further improvement. Shares attractive.
Standard Oil (New Jersey).....	0.01	0.97	50 $\frac{1}{2}$	42	42	1.00	2.4	C-2	Dominant position of the company and its long record of successful operations places shares in investment category. Earnings will be aided by substantial reduction in costs.
Sun Oil.....	2.35	4.04	62	51 $\frac{1}{2}$	55	1.00	1.8	C-2	Company's record has been much better than that for the industry as a whole with profits being shown in each of the last four years. Policy of paying extra stock dividends has enabled company to finance out of earnings. Shares have well defined merit.
Texas Corp.....	d0.22	d0.05	29 $\frac{1}{2}$	22 $\frac{1}{4}$	23	1.00	4.3	C-2	Company's products marketed on a nation-wide scale. Despite payment of dividends, not fully earned in recent years, finances remain exceptionally strong and continuance of present rate seems assured. Shares qualify as one of the better oil equities.
Tidewater Associated.....	0.13	0.61	14 $\frac{1}{2}$	8 $\frac{1}{2}$	12	None	...	C-3	Company has strengthened its competitive position in recent years and record of earnings has been better than the average for the industry as a whole. Reduction in senior obligations resulted in an annual savings of \$417,000. Shares have interesting speculative possibilities.
Union Oil of Cal.....	0.73	0.45	20 $\frac{1}{2}$	15 $\frac{1}{2}$	15 $\frac{1}{2}$	1.00	6.6	C-3	Second largest unit on the west coast, with operations embracing all divisions of the oil industry. Strong financial position gives some assurance as to security of dividends, despite earnings of only 11 cents a share in the first quarter of this year.

a—Includes non-recurring profit. b—11 mos. to Dec. 31, '32. d—Deficit. N.F.—Not available.
Explanation of Market Ratings.

The initial "C" refers to the position of the oil industry and indicates that the industry is depressed but prospects for recovery are moderately favorable. The numeral refers to the status of the individual company—(2) Good potential earnings, important company and good financial position. (3) Earnings still relatively low, fair financially and business volume moderate.

Five Stocks Which Should Benefit Substantially in the Next Recovery Phase

Revival in Construction and the Heavy Industries Would Mean Much for Each

SELECTED BY THE MAGAZINE OF WALL STREET STAFF

General Electric Co.

FOR rather obvious reasons, the electrical equipment industry was one of the hardest hit by the depression and its nature is such that in the earlier stages of general business recovery the improvement has not been as pronounced as in the case of those industries which cater directly to consumer demand. Nevertheless, the showing made by the industry during the past year and in the first months of this year has been decidedly for the better—emphasizing the high promise of real improvement once the obstacles now retarding the revival of the capital goods industries are removed. There is hope that the attempts now being made in Washington to stimulate these industries will be successful.

General Electric Co. holds undisputed leadership in the manufacture of electrical equipment; the company's prestige and operations are worldwide; and its products cover the entire field of electrical equipment, from tiny light bulbs to giant turbines and generators. The company has expended huge sums in the maintenance of one of the most outstanding industrial research organizations and some measure of the contributions which have been made to the company's earnings by products developed through research may be gained from that fact that in 1929 more than \$80,000,000, or 20% of total income, was derived from that sale of products which were practically unknown in 1919. Research activities have been continued throughout the depression and it is quite conceivable that many of the more recent developments which apparently have only negligible commer-

Earnings Per Share

1932	1933	Recent Price	Div.
\$0.41	\$0.38	20	\$0.60

cial value at this time will later prove to be of outstanding importance. Contemporarily, the company is a leading factor in electric refrigeration, air conditioning and electric-oil-burning furnaces and boilers.

The decade following the end of the World War was an era of unprecedented expansion for the public utility industry in this country and General Electric profited enormously through the sale of generating, transmission and installation equipment—such equipment contributing the major portion of sales. During the past several years, however, the demand for this type of equipment has fallen off and with the present generating capacity able to take care of requirements for several years to come, the company has been forced to rely heavily upon the sale of household and other products which enter into more general use. Last year, for example, the sale of household appliances was 78% greater than in 1932, albeit total sales were less. While it might be logically argued that General Electric cannot hope, through the sale of lighter types of equipment, to recover the large earnings of the years prior to the depression, the fact remains that the electrical industry is one of the few which may be conceded almost unlimited possibilities for continued growth into new fields and General Electric, as a leader, has a correspond-

ing equity in such possibilities. Thus, it might be said that the company's shares have an investment background and a speculative future.

To General Electric goes the distinction of being the only company in the industry to maintain operations on a profitable basis since 1929. Sales and earnings underwent a progressive decline from the peak levels of 1929 and last year income from operations was less than \$7,000,000 as against \$49,400,000 in 1929. Despite a decline of about \$10,500,000 in actual sales billed last year, a substantial reduction in expenses augmented by "other income" of \$6,967,348, derived chiefly from a large investment account, brought net income up to \$13,429,738, as compared with \$14,816,651 in 1932. Total orders received for the full year were 17% ahead of 1932 and the company entered the current year with a good volume of unfilled orders on its books and first quarter orders showed a gain of \$8,800,000 over the same period of last year.

Capitalization is large, consisting for the most part of common stock—outstanding in the amount of 28,845,927 shares. Funded debt is insignificant and the special stock, ranking senior to the common, amounts to less than 4,300,000 shares. Last year the common earned an equivalent of 38 cents a share as compared with 41 cents a share in 1932, and in the first quarter of 1934 earnings available for the common amounted to 14 cents a share. First quarter earnings in 1933 were equal to 8 cents a share. With cash and marketable securities aggregating \$112,000,000, the company would seem well able to maintain the present

15-cent quarterly dividend, currently yielding approximately 3%.

Although essentially a long-term

proposition, General Electric common stock should find favor with the investor seeking the assurance offered

by an excellent past record and the promise of a future which might be equally brilliant.

Minneapolis-Honeywell Regulator Co.

EVENTS destined to stimulate home modernization and new building construction will almost inevitably redound to the benefit of Minneapolis-Honeywell Regulator. The company is rated a leading manufacturer of automatic heat-regulating and temperature-controlling devices on various types of oil and gas-heating systems, for both domestic and industrial use. Experimental and development work have added a number of new products to the company's line, including a device for the control of room temperatures in apartment houses and other public buildings and devices for the control of domestic and industrial refrigeration. The company is likewise represented in the new field of air-conditioning with suitable regulating equipment and is reported to be engaging in considerable research work with a view to further developing the possibilities in this important division.

Despite the highly specialized nature of the company's business, profits were shown in each of the depression years although earnings receded in the years subsequent to 1929 to and including 1932. Last year, however, profits staged a remarkable comeback. Aided by a marked increase in the use of gas for house heating, net profits in 1933 rose to \$831,240 from \$190,323 in the preceding year. The ability of the company to record such an unusual reversal in earnings in the face of the

Earnings Per Share

1932	1933	Recent Price	Div.
\$0.51	\$3.77	45	\$2.00

extreme low level of building activity would seem to emphasize its favorable prospects in the event that building again approaches some semblance of normalcy—a condition which it is hoped will ensue from the housing legislation now being proposed at Washington.

Capitalization of Minneapolis-Honeywell is moderate. With the retirement of a small subsidiary debt on February 1, last, there remained only 14,368 shares of 6% preferred stock (\$100 par) and 197,468 shares of common stock. Given the advantage of a small capitalization, it has been no difficult matter for the company to maintain dividends and payments have been made to common stockholders since 1928, with the exception of two quarters last year. These omissions, however, were rectified by the payment of a 50-cent extra last November and in February of this year another extra of 25 cents was paid. With the May payment, the common was placed on a regular \$2 annual basis. Another favorable factor resulting from the small common stock capitalization is the ability of the shares to register a substantial gain in per-share results

with only a comparatively modest improvement in sales and earnings. For example, an increase of only \$200,000 in earnings would mean nearly 60 cents a share for the common, after preferred dividends.

Net sales reported by the company last year totalled \$4,493,511, an increase of \$836,894. Operating economies enabled nearly all of this gain to be carried through to net and after allowing for interest, taxes, and preferred dividends, income available for the common was equivalent to \$3.77 per share. In 1932, the common earned 51 cents a share. Operations in the initial quarter of the current year, normally a dull period for the company, resulted in a loss of \$21,425, as compared with a loss of \$128,256 in the same months of 1933, and comparisons with ensuing months should continue favorable. Financial position is exceptionally strong; quick assets were nearly 70% of total assets; and working capital was equivalent to \$13 per share of common after allowing for the preferred stock at par.

Giving heed to the specialized character of the company's business and the possibility of wide fluctuations in common stock earnings, the shares must be classified as speculative. At the same time, the promise of continued improvement in earnings would seem sufficiently well assured to lend considerable attraction to the shares at recent levels around 45.

United States Gypsum Co.

FROM gypsum rock, the United States Gypsum Co. manufactures and markets an extensive line of products, including "Sheetrock" wall board, decorative covering for wall board, exterior sheathing and "Structolite Concrete" material for the complete erection of dwellings. Other products include plasters of all kinds, tile for roofs, walls and partitions, gypsum paints for exteriors and interiors, stucco, lime and metal tile and metal lath. The chief characteristics of gypsum, commending it for use in building construction, are low conductivity of heat or cold, lightness of weight, ease of application and fireproofing quality.

Quite obviously the company is heavily dependent upon the building

Earnings Per Share

1932	1933	Recent Price	Div.
\$0.86	\$1.00	38	\$1.00

industry, particularly the construction of dwellings, for its existence. This is further borne out by the fact that the peak of the company's earnings in 1926 was coincident with the highest level of construction activity. Since that time construction and the company's earnings alike have dwindled steadily and competition among manufacturers of gypsum products on occasion became so intense as to practically eliminate profit margins. Attesting, however, to its strong trade position

and skillful management, U. S. Gypsum has survived the test of extreme adversity in a most creditable fashion, consistently maintaining operations on a profitable basis. There has been no drain on the company's financial strength and throughout the extended lean period the management has steadily rounded out the scope of activities and manufacturing facilities.

Last year net income of \$1,738,927 was sufficient to cover total dividend disbursements of both the preferred and common stocks, aggregating \$1,735,484, by a slight margin. In the preceding year dividends on the common were larger and there was a deficit of \$851,964 after payments. Actually, the 1,187,660 shares of common earned \$1 per share in 1933 and in

1932 earnings were equal to 86 cents per share on 1,218,349 shares. Ranking ahead of the common are 78,220 shares of 7% preferred stock (\$100 par) but the company has no funded debt.

The ability of the company to moderately improve upon the 1932 showing was doubtless due in some part to lower costs but it was officially stated that a greater measure of assistance was rendered by the introduction of a number of new products on which the mar-

gin of profit was larger. Higher prices resulting from N R A codes were also a factor last year. The company does not issue quarterly reports but it was stated at the annual meeting in March that the current year had began auspiciously, with the first two months showing a profit of \$53,000 as against a loss of \$87,000 in the same period of 1933.

Granted that a substantial improvement in the company's earnings must await the revival of the construction

industry on a national scale, it is possible, nevertheless to envisage considerable progress toward such a revival during the next twelve to eighteen months. When it is realized that the company has been able to make money during a period when new building and replacements all but suffered complete cessation, it is not likely that any considerable risk attaches to the acquisition of the shares for profitable participation in the next phase of recovery now in the making.

Johns-Manville Corp.

A RECOGNIZED industrial giant, Johns-Manville Corp., is easily the dominant unit in the production and fabrication of asbestos which, in the words of the company, "stands unique—a world-old rock, resistant to the action of heat, water, weather and wear—a fibrous mineral which can be spun, woven, felted or moulded into useful form." With asbestos as a base, the company produces over 1500 products, one or many of which are used by practically every important industry in the country. The more familiar of these products include applications for insulating against heat and cold, or against noise, roofing, packing, waterproofing, fireproofing and automobile brake linings. In addition to extensive manufacturing and sales facilities, the company owns unmined asbestos reserves calculated to meet all requirements for fifty years.

Having such a large and diversified stake in general industry, the company's common stock has long been a favorite vehicle for speculating on general business trends. As a result of this circumstance, the shares are subject to rather wide fluctuations—the range between the high and low last year having been approximately fifty points—and normally quotations give a rather high appraisal of earnings. In other words the generous premium which the market places on the stock

Earnings Per Share		Recent Price	Div.
1932	1933		
def. \$4.47	def. \$0.64	50	None

evaluates the combined worth of such factors as the company's outstanding position, strong banking connections and the opportunities for substantial recovery of earning power with the revival of general business.

In common with the majority of industrial organizations, the peak of the company's earning power was achieved in 1929. In that year sales aggregated nearly \$62,000,000, on which the margin of profit averaged 15%, and net profit totalled \$6,591,916. In that year the common stock earned \$8.09 a share. By 1932, however, sales had declined to less than one-third of the 1929 volume. The company suffered a loss of \$2,680,873, and early in 1933 dividends were passed on the preferred shares. Despite the drastic shrinkage in sales and earnings, the company has continued the policy of making generous provisions for depreciation and depletion reserves. No bank loans have been incurred and working capital remains adequate.

Last year brought a moderate improvement in total sales, due largely to the upward trend which developed in

the latter part of the year and in the face of the lowest level of building activity in many years. Operating costs, however, were lower by about \$2,000,000, with the result that the company showed an operating profit of \$1,744,207 as against a loss of \$1,002,931 in 1932. Net profit, after reserves and taxes, of \$105,331 compares with a loss of \$2,680,873 the previous year. The trend toward betterment has continued this year and in the normally dull first quarter the company sustained a loss of only \$76,081 as compared with a loss of \$953,799 in the first quarter of 1933. Encouraged by the reversal in earnings, the management has resumed dividends on the preferred stock and accumulations have been reduced to \$1.75 a share. Action in this respect was facilitated by a strong cash position.

Although not solely dependent upon the building industry, the company obviously would be a leading beneficiary from the resumption of normal activity in that field. In the meantime, however, sales and earnings may confidently be expected to keep pace with general business. The common stock, outstanding in the amount of 750,000 shares and preceded only by 75,000 shares of preferred stock, is in the "blue chip" class but has well founded merit and should appeal to the investor with an eye to the future.

Ruberoid Co.

Earnings Per Share		Recent Price	Div.
1932	1933		
def. \$1.66	\$1.10	32	\$1.00

DATING its origin from 1886, the Ruberoid Co., has paid dividends continuously to its shareholders since 1889 and only one year during the past eleven has been an unprofitable one. Judged by any standard this is a record to which the company might well point with pride. The basis of this impressive showing apparently lies in the fact that it is a relatively small company, skillfully

managed, and enjoying a greater freedom of action in meeting changing business conditions and problems than would otherwise be possible in the case

of a large organization where overhead and other costs are more rigid.

The products manufactured by Ruberoid include shingles, roofing, felts, pipe coverings and insulating materials, floor coverings, building and sheathing papers, plastics and waterproofing materials. Eight plants, located in various sections of the country to give the advantage of close

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Troubled Utility Giant

Its Defences Have Withstood Economic Depression but Not Political Attack

By RICHARD COLSTON

LESS than three years ago, Consolidated Gas was considered one of the premier investments in the field of common stocks. Its favored position at that time was clearly revealed by the fact that it held first place with respect to the number of investment trusts holding it in their portfolios. A survey of the common stock investment of 144 leading general management trusts as of December 31, 1931, for instance, showed that Consolidated Gas was held by 82 organizations. The nearest competitor for popularity was American Telephone & Telegraph, which was owned by 78 of these trusts, while General Motors was in third place with ownership by 68 trusts.

Only two and one-half years have elapsed since this judgment was passed by the so-called "best" brains in the investment field, but the panorama has changed greatly. In contrast with the high investment rating then accorded to public utility securities generally, and particularly to sound operating companies such as Consolidated Gas, this group has steadily been losing in favor, and indeed threatens to become the pariah of investments. But it is not the workings of the economic mill which have been the cause of this development; rather, it has been the devastating action of the legislative fathers. Political expediency during a period of unprecedented depression has induced politicians and their cohorts to single out the public utility industry for a scapegoat with the double purpose of making it pay for governmental extravagance in an ever increasing measure, and of focusing peoples' attention away from the more essential problem of government economy.

As a consequence, the earning power of the public utility companies is being seriously affected. Caught between two millstones, an upper of steadily increasing taxation and a lower of constant

agitation for ever lower rates, earnings of most utility companies have responded only feebly during the period of sharp economic recovery experienced since the spring of 1933, and in the face of greatly increased power production.

Marketwise, public utility common stocks are far behind the average for both industrials and rails. As against a rise in the Dow, Jones Industrial Averages of 168% from the 1932 lows to February 5, this year, and of 302% in the railroad averages, public utilities advanced only 88%. Admittedly, the picture is dark at present with the weight of agitation probably the heaviest it has been in recent years. But an old axiom tells us that it is always darkest just before dawn. Already an important force of light is gathering in the organization into protective groups of utility security holders, and their number is legion. The operating power companies in the United States are owned by 1,535,000 stockholders. Number is an essential factor in swaying political opinion. Fair play is the thing that is really needed.

Whether the past eminent reputation of Consolidated Gas common stock still radiates a subdued influence over the investing public, the fact remains that the year 1933 again witnessed a sizable expansion in the company's stockholders' list with a gain of 4,419 common stockholders to a total of 94,734 on December 31, 1933.

Consolidated Gas Co.'s Increasing Tax Burden

	Operating Taxes	Operating Taxes per dollar of gross revenue
1929.....	\$25,509,339	11.17c
1930.....	28,824,177	12.15
1931.....	31,490,491	13.14
1932.....	33,181,590	14.34
1933.....	36,375,002	16.38

Ten years previously, on December 31, 1923, the holders of common stock numbered only 18,500, but each year since then there has been a gain. The increase in 1932 amounted to 8,039.

The faith of this large group of shareholders has recently been forced to absorb the shock of a dividend cut of one-third, from the former rate of \$3 annually to the present distribution of \$2 annually. During 1933, the rate was twice reduced in line with recession in earnings. The first reduction occurred on June 15, when the dividend was lowered to \$3.40 annual basis from the \$4 rate in effect since December, 1929, followed by a second reduction on December 15, 1933, to a \$3 annual rate.

In spite of these developments, which after all may be only of a temporary nature, the faith of the holder of Consolidated Gas common stock should be supported by the enviable traditional background of the company. Consolidated Gas common stock has paid uninterrupted dividends since 1893. Consider what this means. Four decades of liberal dividends through periods of financial panic, war with its war-time commodity inflation and high costs, and boom time expansion. Is it presumptuous, therefore, to feel that present conditions will not prove insurmountable to the company?

Consolidated Gas was able to come through the trying period of high costs immediately following the World War without serious consequences. In financial matters, the management avoided the pitfalls into which many other utility companies had fallen, notably those of the holding variety. A sound and well balanced capital structure has been created with a large equity for the common stock. Fixed charges are no great burden and the company has no nearby maturities, with the exception of a relatively small amount of bank loans which are grad-

ually being reduced. The credit standing is high, a fact to which the successful flotation of \$118,700,000 in long term bonds in 1932 bore witness. The bonds of Consolidated Gas Co. and its subsidiaries sell on a 4½% basis or lower. The working capital position at the end of 1933 was more than adequate.

Rate Agitation

Rate agitation is an old story with Consolidated Gas as it is with most other utility companies. The problem, in fact, may be considered a perennial one in the industry, but the long record of court cases in the past pretty much sets up a bulwark to protect the utility companies from rates which would prove confiscatory. Consolidated Gas on two occasions, in 1922 and again in 1926, carried its case to the United States Supreme Court and won favorable decisions.

Let us examine some of the important factors which lend strength to this gigantic utility company, the largest electric and gas system in the world. The company serves approximately 8,000,000 people in one of the most thickly populated areas in the world, including all of New York City (except Staten Island) and almost all of Westchester County, which is directly north of the city itself. Specifically, operations include practically the entire gas and electric light and power business in Manhattan, the Bronx, a large part of Queens, and the larger part of Westchester County; the entire electric light and power business in Brooklyn; and a substantial steam business in important commercial sections of Manhattan. The territory provides unusually broad diversification of outlets for the system's services and wide opportunity for disposal of electricity and gas in large blocks.

The sale of electric current is by far the greatest revenue producer for the system, accounting for slightly more than 75% of the total gross in 1933; gas produced about 20% of the gross revenues, while steam accounted for slightly more than 4½%. The facilities of the system have been built up so that they are ample for present and near future needs. An interconnection between the transmission system of New York Edison Co. with that of Niagara Hudson Power Corp. was completed in 1932, making

available to the Consolidated Gas Co. electric system large additional generating capacity under agreement for interchange of power.

Consolidated Gas system, of course, has benefited from the rapid expansion of population in its territory. True, in the past two or three years this factor has been negligible because of the serious general economic conditions prevailing throughout the country, but sooner or later when the country again forges ahead, growth will no doubt again be resumed, and again reflect to the benefit of the company. There is, for instance, ample room for expansion in the Borough of Queens, that part of New York City which is located across the East River from Manhattan. In fact, it is in this territory that the most spectacular expansion has taken place, with an increase of 130% in population in the decade 1920 to 1930. Population increases for the same period in other sections served by the company have been as follows: Bronx, 72.8%; Westchester County, 51.4%; and Brooklyn, 26.8%. Manhattan's population, on the other hand, dropped 18.2%, reflecting the drift to less congested areas such as the Bronx, Queens, and suburban areas. Even in the past five years, since the memorable year 1929, there has been an increase in the number of electric meters in use every year. As of December 31, 1933, there were 2,484,930 electric meters on the premises of customers, an increase of 5,006 during the year and comparing with 2,335,772 at the end of 1929.

Equally important to the increase in the number of customers served in the growth of a utility company's earnings

chines, ironing machines, etc. New electric conveniences for the home and other electrical devices are from time to time developed, and as long as this is so the continued increase in the consumption of electricity per customer is inevitable. Consolidated Gas in 1933 sold 4,228 million kilowatt hours of electric current, an increase of two-tenths of 1% over 1932, but 9.6% over 1929. Gas sales, on the other hand, dropped off 5.5% during 1933 to 39,923 million cubic feet. Even in the gas division, however, some promise of increase is afforded in the rapid gain in the installation of automatic gas refrigerators; and in the future when conditions are more prosperous, the installation of gas heating systems in private residences should greatly stimulate sales.

Steam Subsidiary

New York Steam Corp., the subsidiary which furnishes steam service and in which Consolidated Gas has ownership of some 74% of the stock, has shown steady increase in the sale of steam for many years, the gain in 1933 amounting to about 2.6% in quantity sold over 1932. Distinct possibilities for further substantial increase in business lie ahead in the air conditioning and cooling of buildings by steam, which is rapidly gaining in popularity. The use of steam for this purpose is a recent development, and within a year the company has made contracts for a total of ten installations, some in very large buildings. This business is much to be desired as it improves the steam corporation's summer load, which is light compared with the winter load. The rates are particularly favorable for summer use.

Consolidated Gas Co.'s total operating revenues for 1933 amounted to \$222,935,354, which was \$9,710,484 lower than in 1932, but approximately equal to the 1929 gross. After operating expenses, depreciation and taxes, and including a small amount of other income, the total corpo-

rate net income available for interest and dividends amounted to \$71,555,144, a decline of \$7,461,184 from that of 1932. The balance available for the common stock for 1933 was \$48,553,611, a decline of \$8,785,359 from 1932, and lower by \$6,613,948 than (Please turn to page 156)

Consolidated Gas in Depression

	1931	1932	1933
Gross Operating Revenues.....	\$242,407,768	\$232,645,838	\$222,935,354
Net Operating Income.....	\$85,322,879	\$78,731,265	\$71,298,786
Operating Ratio.....	64.8%	66.2%	68.1%
Earned per share common.....	\$4.94	\$4.03	\$3.31
Sales of Electric Current (k.w.h.)....	4,311,164,386	4,219,077,063	4,228,682,654
Sales of Gas (M cubic feet).....	42,184,232	41,170,404	38,922,712
Sales of Steam (M lbs.).....	10,146,438	11,146,087	11,434,339
Gas Meters Dec. 31.....	1,329,888	1,322,482	1,287,818
Electric Meters Dec. 31.....	2,468,482	2,479,724	2,484,930

is expansion in the volume of business per customer. The uses of electricity are constantly multiplying and the unit demand for current from customers has steadily been rising as the result of the widespread adoption of such conveniences as electric refrigerators, radios, sun-lamps, washing ma-



For Profit and Income



Rayon Outlook

With a large number of silk mills closed down because of mounting inventory which not even price-cuts appeared capable of moving, and with the cotton textile industry considerably less buoyant than in the recent past, it is hardly surprising that the rayons have enjoyed a quarter poorer than the first. Towards the end of April, Industrial Rayon initiated a price cut ranging between 15% and 20%. This, however, was not generally followed by the important remaining components of the industry, although certain companies decided to sell temporarily certain types of yarn at a concession. Rayon has not only been affected indirectly by the press of increasing competition from other textiles, but the closing down of those silk mills using both silk and rayon is directly adverse. At the same time, from the point of view of the profit outlook, rayon is contending with generally higher costs, of which the increase in wages is possibly the most important. Although the outlook for profit margins over the near-term future is not particularly bright, many believe that it will not be long before stable price conditions are seen again in the industry, with distress stocks of textiles generally worked off the market.

* * *

Silver

Without wishing to encourage members of the silver bloc, who appear to have won their selfish way and embarked the country on an extremely hazardous course, the details of which are as yet unknown, it does seem that there is one point in regard to the metal that merits attention. World silver is currently quoted around 45 cents an ounce compared with a low of about 25 cents. But is it realized that in this comparison the "cents" are two entirely different things. Adjusted

to gold, silver is currently selling for about 27 cents, compared with a low of 25 cents. Or, putting it another way, the ratio between an ounce of silver and an ounce of gold is still about 78 to 1, against the record of about 83 to 1. If silver really is, as some contend, a precious "monetary" metal, it would seem extraordinarily cheap at current levels. On the other hand, if silver is really and truly a commodity and nothing more, and realizing that the "gold" comparison that has been made will give similar results if employed in wheat, cotton and nearly anything else, it would seem dangerous to commit oneself on this reasoning.

* * *

Breaking a Monopoly?

The Aluminum Co. of America has long been a thorn in the side of politicians because of its undoubted monopolistic aspects. Apparently, however, investigation, and threats of action under the anti-trust laws, is not the end of its enemies' weapons. It now appears that the P W A is considering lending \$20,000,000 to the Standard Aluminum & Alloy Co., Chicago, for the purpose of a manufacturing development in the Tennessee Valley. While it is much too early to hazard a guess as to the practical effects of this proposal upon the Aluminum Co. of America, one wonders whether the company and the Mellon family in general will be left in peace should it be successful.

* * *

Favorable Influence

The extreme ease of money has long been pointed out as being a favorable factor in the outlook for bonds, for dividend-paying common stocks, and in less degree for all other stocks. But is it realized how extremely cheap money has become. The other day it was announced that a large bank in

New York offered time money at 1% for a year's maturity—thereby establishing in all probability a new record. Both bonds and stocks of a good, sound caliber can still be bought on a 5% basis, but it is hard to see how they can continue to yield as much as this if money remains a perfect glut on the market.

* * *

Kodak's Increased Dividend

Issuing annual reports only, the earnings of Eastman Kodak so far this year cannot be definitely known. For 1933, the company reported the equivalent of \$4.76 a common share, compared with \$2.52 for the previous year. But business since the first of the year cannot have slumped very much in view of the higher dividend that has just been declared. Moreover, it seems significant that the company did not declare "a dividend," or merely an ordinary extra, but boldly raised the regular annual rate from \$3 a share to \$4. Of course, Eastman Kodak is among the richest of companies with \$17,000,000 in cash and another \$12,000,000 in marketable securities, aside from other property, but even so, one suspects that the company is well able to meet the disbursement from earnings.

* * *

Tire Prices Strengthened

Throughout the industry in the middle of this month there was a general increase in the price of third and fourth line tires in accordance with the retail dealers' code which set minimum prices for an "emergency" period. This is something of a new departure for N R A. Prior to this, anything in the nature of price-fixing has been accompanied by complicated schedules of costs and overhead. Now, it appears we are to have just plain price-fixing; (Please turn to page 162)

Taking the Pulse of Business

- *Steel Faces Recession*
- *Copper Stocks Lower*
- *Gasoline Prices Firmer*
- *Rubber Control Plan*
- *Textiles Overproduced*

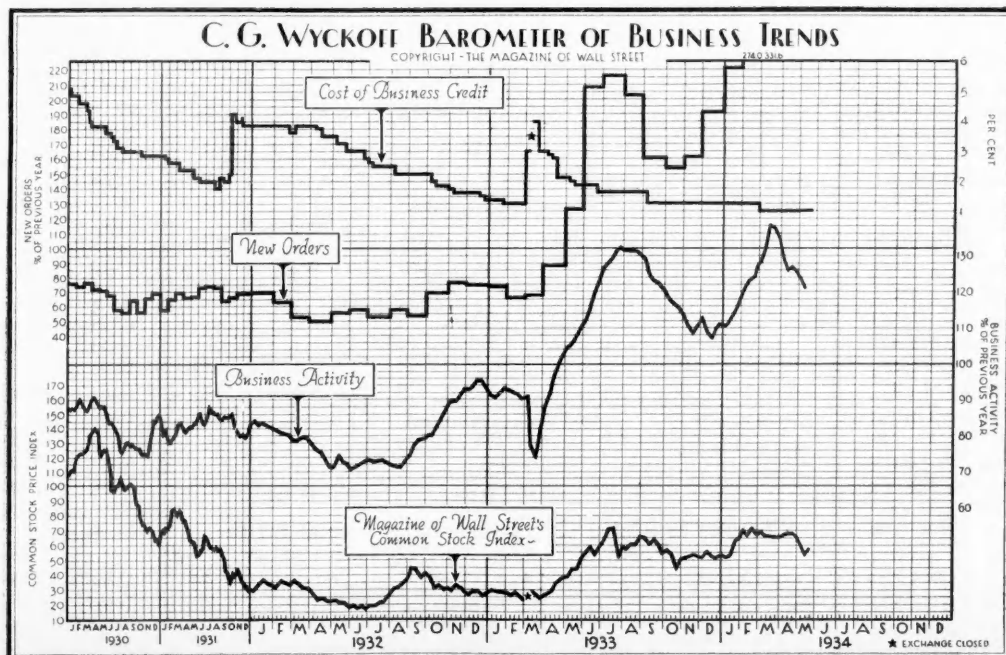
ALTHOUGH the physical volume of production, distribution and trade, expressed in terms of normal, has thus far receded only a few points from the highest level reached on the recovery, conspicuous weakness in the price structure has introduced uncertainties which are in marked contrast with conditions last year when production was rebounding swiftly from the stagnation caused by bank closings and prices were mounting rapidly in anticipation of inflation and the codification of industry. Comparisons with a year ago are thus becoming progressively less favorable, and our Business Activity index has dropped to 121, from the high record of 138 attained around the middle of March. It is noteworthy that not all of the recent decline in this index is attributable to last year's expansion; since a slight let down in steel mill operations has been noticeable during the past fortnight, and automobile production has dropped 20% from the maximum rate reached during the closing week of April.

Recession in automobile production has been accompanied by a noticeable falling off in sales at retail, especially in the higher priced field, which is probably a natural consequence of weakness in the stock market. Unsettlement in commodity prices, which is depicted by the abrupt drop in our Raw Material Price index, has been largely responsible for curtailed sales in other lines, and present indications point to a considerable recession in the New Orders graph when all reports for the next point are

received. Recession among the heavy industries is already noticeable in the report of building contracts let in April, which were 27% less than in March, and only 132% ahead of last April compared with a 200% in-

crease in March. The new housing legislation, if passed at the present session of Congress, may somewhat help the building situation eventually; though it comes too late to be of any material benefit this year, especially in view of the present high cost of construction and the depleted financial condition of present and prospective home owners. Some help for the capital goods industries may result from ratification of amendments softening the penalties of the Federal Securities Act; though the first response will be confined largely to refunding operations of which some 2.5 billions are now under contemplation.

The most serious obstacle to extension of the recovery movement at the present time lies in the weakness of commodity prices and the decline in common stock prices. A number of explanations may be advanced to account for this. In commodities, there has been a considerable amount of manufacturing to build up inventories which, in many instances, were already excessive. Diminished hopes for silver inflation in the near future have also been a factor. Before long much is likely to be heard of the bootleg price tactics which are undermining the codes. So serious has this situation become that the Administration has announced its intention of abandoning the impossible task of enforcing codes for intrastate business, along with a large



number of interstate codes affecting the smaller industries.

It is noteworthy that the decline in our Common Stock Index has been out of all proportion to the as yet rather mild recession in industrial activity. To account for this it is not necessary to look beyond the very drastic provisions of legislation to regulate the issuance and dealings in securities, which can only discourage the flow of savings into the investment market, and are extremely deflationary. Specifically, the 45% margin requirement soon to become a law has recently caused a partial liquidation of the holdings of wealthy traders who hitherto have been permitted to carry stock on rather thin margin. Then again, the compulsory divorcement of banking security affiliates, which goes into effect on June 16, has necessitated the liquidation of stocks held by affiliates of a number of out of town banks, which could not be disposed of at private sale.

The Trend of Major Industries

STEEL—After rising to around 60% of capacity, steel mill operations are showing a tendency to slacken somewhat in consequence of the rather sharp drop in automobile production and the unsettling effect upon business sentiment of the drastic bill to regulate the exchanges and the consequent melting of values on the Stock Exchange. If not followed by a serious slump in general business activity, some slowing down in the steel industry during the next month or two would be healthy; since production in excess of 53% of capacity under present conditions would merely go into inventories and so occasion a greater recession in activity after July 1. The pending slackening in operations has been foreshadowed for several weeks by a reactionary trend in the market for steel scrap.

METALS—Quiet has reigned in the non-ferrous metal markets during the past fortnight though inventories in the hands of producers have been reduced considerably through stocking up activities on the part of middlemen and consumers. World stocks of refined copper at the end of April were 155,000,000 lower than on January 1. Gold mining stocks have made new lows for the year in consequence of the 25% tax imposed by the Canadian Government upon the difference between \$20.67 and the price received for gold by Canadian mining companies which have been paying dividends since the end of 1932. The International Tin Committee has authorized a 10% increase, for six months beginning April 1, to the four signatory countries, Bolivia, Malay States, Dutch East Indies, and Nigeria. This is equivalent to an increase of 8,280 long tons of tin in the six months. Nickel production in Canada during the first quarter came to 26,973,681 pounds, against 7,050,231 in the like period of 1933. Publication

of figures for Canadian nickel exports henceforth are to be discontinued in order to conceal the magnitude of foreign demands for the metal for armament purposes.

PETROLEUM—Daily average output of crude oil during the past fortnight rose by 35 million barrels, and exceeded the Federal allowable by 110 million barrels. This increase, however, was far less than the great spurt in production which took place at this time last year, and current production is 215 million barrels under that of a year ago. A sharp rise in gasoline prices, occasioned by a firmer control over bootleg production, has brightened the outlook for refiners.

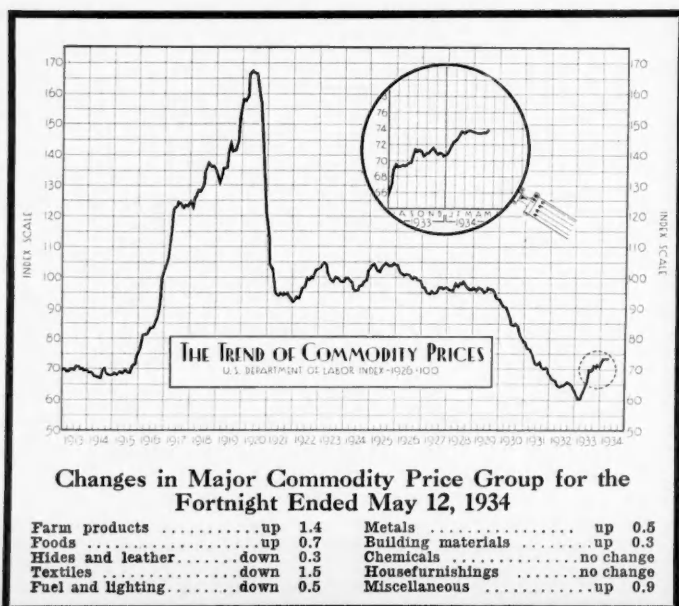
RUBBER—The average restriction of 12½% in exports for the remainder of the year, fixed by the international rubber control committee, was less stringent than anticipated, and crude rubber futures have slumped badly during the past fortnight. It is estimated that, if restriction forces the price up to 15 cents, replacement of the natural product by reclaimed and synthetic rubber will rise to the annual rate of 450,000 tons, or 50% of current production.

TEXTILES—Domestic consumption of lint cotton in April amounted to 513,000 bales, compared with 544,000 in March and 470,000 in April, 1933. Net exports in April were only 374,000 bales, compared with 531,000 in March and 429,000 last April. Stocks of raw silk in storage on May 1 amounted to 61,000 bales, against 43,000 a year ago. Net sales of broad silks during the last half of April were 25% lower than a year ago. All silk mills in New Jersey have been shut down for a week under order of the code authority. Over-production in both the cotton and silk industries has arisen largely from an effort to reduce unit costs by full-time operation.

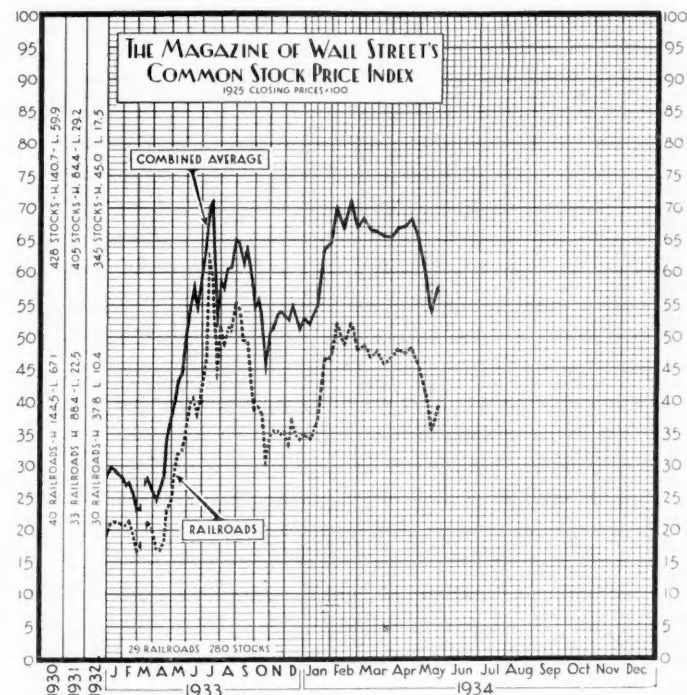
Conclusion

The most conspicuous feature of recent business developments has been a weakening in the commodity price structure, and a severe decline in our Common Stock Index out of all proportion to the as yet rather moderate

recession in business activity. The drastic character of legislation to regulate the flotation of, and trading in, securities has caused liquidation in the stock market, dried up the supply of new securities, and greatly diminished the demand for common stocks. The pending housing bill cannot be of much help to the construction industry before next year. Meanwhile, P W A activities will begin to taper off after July. The outlook for the capital goods industries is therefore not any too favorable, though high grade bonds are still sustained by the low cost of business credit.



Common Stock Price Index



(An unweighted index of weekly closing prices; compensated for stock dividends, splits, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)



READERS' FORUM



The Readers' Forum is intended exclusively to serve in the discussion of problems of general investment interest. It welcomes free expression of opinion. The services of this department also are available for answering investment questions of general interests excluding inquiries regarding the position or prospects of individual securities.

As Our Readers See It

Investors Should Organize—In Defense of Profits—Can We Afford Lower Tariffs?

Editor, READERS' FORUM:

It has occurred to me several times of late, due to the existing political situation, that some sort of a National Shareholders Association for the sole purpose of leading an aggressive fight against adverse legislation would be very beneficial for all shareholders. The millions of various stockholders from coast to coast, and border to border, would undoubtedly be able to exert tremendous pressure in Washington toward curbing radical legislation.

The Administration has its cards on the table to curtail profits and redistribute wealth, as though this has not been done already. Are we going to let them do it? Shall a handful of radical young squirts in Washington dictate to, and take from, the thrifty conservative folks, what they have been a lifetime building up? Not if we get busy, and act as a single unit; if we do not, we may expect most anything, for it is now a sin to be thrifty, and a crime to be a shareholder. Why not unite and fight for our rights? Labor is organized—why not capital?—STANLEY K. HALBERT, M. D., Springfield, Ill.

The above letter is one of many which from time to time have called for organization of investors in the cause of self-protection. By fortunate coincidence, an offer of leadership in such a movement was being made public at approximately the time this letter was written. On preceding pages of this issue of THE MAGAZINE OF WALL STREET will be found an important article by James W. Gerard,

former Ambassador to Germany, on the subject of investor organization.

* * *

In Defense of Profits

Editor, READERS' FORUM:

I am much gratified at the courageous stand you have taken both editorially and in the recent article by Mr. T. C. McClary. If the commercial world is not going to be turned topsy-turvy by labor's greed and thirst for power it will be because of the invaluable endeavor to rouse the Administration from its Utopian dream, of articles such as you have printed.

It is worthy of notice that at a women's meeting held last week in New York at which Mrs. Roosevelt was the guest of honor—coupled with William Green—the chairman alluded to Mr. Green as the head of the A. F. L. stating that that organization was the only one to recognize, or words to that effect. This seemed strange after the apparent recognition of the company unions of recent date. Mrs. Roosevelt also, forcefully uttered significant warning against those who failed to know when a change had come or, seeing it, would not come into the ranks and march with it. It is difficult to determine just how far the Administration and labor go hand in hand; certainly the endeavor of the Administration seems to be bent on depriving industry of its surplus capital, notwithstanding that in great measure such capital not only paid labor but also such dividends in the main, as were paid. It is hard to understand that people in high

places with grand records cannot see that the time test—the great test—has yet to come; you cannot tax or collect taxes on anything but wealth! Rightfully on earnings, and earnings can only be earned by investment or labor; without industry—no labor; and, of course, no industry, without adequate earnings; therefore, no revenue—then what? The ultimate you say! Yes! But you have to consider ultimates.—R. C. ROWLEY, New York City.

* * *

Can We Afford Lower Tariffs?

Editor, READERS' FORUM:

Theodore M. Knappen in his "Nationalism or Foreign Trade?" (March 17) says some things which I do not believe can be proved. Writing about "Wide open international trade," he says "Ideal as might be the equilibrium of international trade which would finally be attained under an international trade policy it is utterly impracticable. In the first place, it would, to be truly successful, require a benevolent international trade attitude on the part of all nations—something that is not to be dreamed of until war shall be no more, including economic war."

To be truly successful, why would it "require a benevolent international trade attitude on the part of all nations?" I can understand why it would if our labor costs were higher than foreign labor, but H. H. Powers in his "Let's Be Honest About the Tariff" (Atlantic, May, 1933) claims that our labor costs are less than foreign. Also, (Please turn to page 162)



Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your request to *three listed securities*.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope*.
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

ATLAS POWDER CO.

In view of the Government's plans to stimulate the heavy industries—construction in particular—I had thought Atlas Powder would do better. Are there adverse factors I have overlooked? Shall I continue to hold 100 shares of the common stock bought at 44½?—J. J. S., Philadelphia, Pa.

The explosives sold by Atlas Powder Co. are used largely by the coal mining industry. The sharp upturn in earnings in the most recent quarters, therefore, to a considerable extent is due to the unusually cold weather and greater coal output. Net profits after all charges and preferred dividend requirements for the three months ended March 31, 1934, were \$354,635, equal to 92 cents a share on the common, which contrasts with net loss of \$8,031 in the first quarter of last year. For the full year 1933, net income was \$709,334, equal to 76 cents a common share, as compared with \$42,072, or 46 cents a share of \$6 preferred stock in 1932. As of March 31, last, current assets, including \$4,957,760 cash and marketable securities, were \$9,982,914 and current liabilities were \$666,394. While coal mining probably will not continue through the summer at maximum speed, other mining activities, railroad maintenance, government and private construction projects, etc., should provide a large volume of business. Since the company does not manufacture military or sporting explosives, sales will closely follow indus-

trial expansion. We know of no adverse factors in this situation which you may have overlooked, though the threatened investigation into the activities of munitions manufacturers possibly has been a depressing factor on the shares marketwise, despite the non-war character of its business. Since earnings are expected to continue satisfactorily throughout the year, the strong financial position gives good hope for a more liberal dividend payment within a reasonable period of time. We can see no reason for you to become disturbed about your holdings in this sound stock and suggest its continued retention.

AMERADA CORP.

Do you believe the current quotations on Amerada fully reflect its possibilities for the near future? Do you counsel holding the stock for both income and further price appreciation?—D. M., Baltimore, Md.

Earnings of Amerada Corp. are currently running at a higher level than in several years. For the three months ended March 31, last, net profits were \$524,999, after taxes, depreciation, depletion and other charges, equivalent to 68 cents a share on the capital stock. This compares favorably with the loss of \$201,939 in the first quarter of last year, or the profits of \$225,383 and \$58,225 in the same periods of 1932 and 1931, respectively. The first half

of last year was a particularly difficult time for oil companies, resulting in heavy losses generally. However, in the case of Amerada, sufficient gains were made in the past half year to enable the company to show a surplus for the year as a whole. The report for the year ended December 31, 1933, revealed a net profit of \$380,443, equal to 50 cents a share, as against \$1,147,207, or \$1.48 a share in 1932. Current assets at the year-end, including cash and marketable securities of \$3,635,071, totaled \$5,599,016 and current liabilities were \$656,592. This strong financial position has permitted Amerada to continue unbroken the dividend rate of \$2 a share paid since 1926, despite inadequate earnings. The company is engaged principally in the production of crude oil and has large oil reserves, most of which are located in the prolific California and Mid-Continent fields. It is well situated to benefit from increased prices for crude oil and gasoline and is little affected by the higher wage scales imposed under the N R A Code, since labor costs are a minor item in its operating expenses. During 1933, geophysical exploration was conducted on an enlarged scale, which has greatly increased the value of acreage retained or acquired. While we recognize that Amerada this year has sold at the highest prices in its history, its long-term earnings prospects are promising. Thus, we feel that the shares can safely be held

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

for income and further price appreciation.

CONTINENTAL OIL CO.

Do you think Continental Oil's prospects are such as to warrant early price appreciation? Do you believe its earnings justify the expectation of further dividends? Would you advise buying this stock now?
—C. M. H., New York, N. Y.

Operating at a fair profit, a formerly large funded debt almost extinguished and with the financial position excellent, the shares of Continental Oil Co. are among the more attractive in the oil group. At the time of merger in 1929, funded debt amounted to \$36,247,553, but at the present time fixed obligations total only around \$5,000,000, due to open market purchases and formal redemptions. Since there is no preferred stock outstanding, it is reasonable to assume that shortly all earnings will be available entirely for the common shares. In the quarter ended March 31, 1934, net profits were \$1,211,483, equal to 25 cents a share, in contrast with net loss of \$2,825,247 in the first quarter of last year. For the full year 1933, net profits were \$872,692. Including non-recurring profit of \$1,306,954 realized on sale of an English subsidiary and another small adjustment, the total net profit last year was \$2,275,860, or 48 cents a share, as compared with loss of \$1,444,133 in 1932. Current assets as of March 31, including cash, government securities, etc., were \$36,727,021 and current liabilities were \$8,090,278. In accordance with the new custom of declaring dividends to the extent earned, Continental recently paid a dividend of 25 cents a share. Conditions in the oil industry have greatly improved as a result of trade agreements and the N R A code. Continuation of present profitable operations is, therefore, indicated. Purchase of Continental Oil shares at current levels seems advisable on the basis of larger per share earnings and dividend expectations.

ARCHER-DANIELS-MIDLAND CO.

Please give me your opinion of the near-term prospects for Archer-Daniels-Midland common. Do you believe an early increase in dividends possible? Do you advise me to hold or sell 150 shares bought at 20¼?
—K. L. N., Rochester, N. Y.

Continued expansion in building construction and renovation, the inauguration of "clean up—paint up" campaigns and other increased uses for paint are of real significance to the stockholders of Archer-Daniels-Midland Co., which is the leading producer

of linseed oil sold largely to the paint industry. Due to the stagnation of the building trade during recent years, the company has been forced to extend its activities into other fields. The acquisition of the Commander-Larabee Corp. gave Archer-Daniels important grain storage facilities, as well as a flour milling business. It also produces linseed cake, meal, vegetable oils and cattle feeds. Higher commodity prices have caused the farmers to again turn to prepared foods instead of using their grains for feeding purposes. The sharp upturn in Archer-Daniels' earnings reflects these several favorable developments. For the 9 months of the present fiscal year, ended March 31, 1934, net profits were \$1,492,537 equal, after preferred dividends, to \$2.39 a common share, as compared with \$630,512, or 82 cents a share in the corresponding period of the previous fiscal year. In the quarter ended March 31, last, earnings were equivalent to 92 cents a common share in contrast with 28 cents a share in the same quarter a year ago. It is estimated that about \$3.40 a share will be shown for the year to end June 30, next. While recent balance sheet figures are not available, it is obvious that the financial position will show an improvement over the last report. As of June 30, 1933, current assets were \$17,854,259 and current liabilities were \$8,387,303. In our opinion, the present price for the shares neither fully reflects the improved earnings nor the excellent prospects for an early increase in the dividend rate. Accordingly, we would counsel retention of your shares for their future profit possibilities.

COMMERCIAL SOLVENTS CORP.

Please favor me with your opinion of Commercial Solvents. I bought 100 shares at considerably higher prices earlier this year, and am unable to account for its present weakness. Would you advise me to hold or sell?—B. T. S., Los Angeles, Calif.

As the leading producer of industrial solvents in the United States, Commercial Solvents has benefited to no small degree from improved conditions throughout the country. Its principal product, butanol and its derivatives, denatured alcohol, ethyl alcohol and acetone, are widely employed in the chemical, textile, paint and food fields. The automobile industry is probably its largest single customer, since butanol is used in lacquers, the demand for which closely follows automobile production schedules. With a large capacity for the production of ethyl alcohol, the company benefited substantially from repeal of the 18th Amendment. This is revealed in the report for the De-

cember quarter, when earnings equivalent to 40 cents a share were nearly equal to the 48 cents a share earned in the preceding nine months' period. While the company's report for the initial quarter of the current year, when earnings were equivalent to 24 cents a share, would seem to indicate that the initial tremendous demand for beverage alcohol did not hold, reasonable profits from this division may be expected over the balance of the year. The concern has maintained an excellent financial status, as revealed in the 1933 year-end balance sheet, when total current assets of \$7,695,879, including cash alone of \$1,646,642 compared with current liabilities of \$1,268,744. The recent unfavorable market action of the stock probably reflects the indicated drop in the company's beverage alcohol sales, together with some seasonal decline in other divisions and general market unsettlement. Because of the promising longer term outlook, however, we feel that the issue offers sufficient attraction around current levels to justify its continued retention.

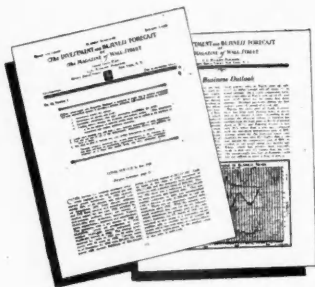
BOHN ALUMINUM & BRASS CORP.

What effect do you think "slackening-off" in automobile production should have on Bohn Aluminum's 1934 earnings? Do you believe this eliminates the possibility of a dividend increase? Would you recommend buying this stock at current levels?
—V. J. C., New Orleans, La.

Reflecting increased activity of the automotive industry last year, Bohn Aluminum & Brass Corp. was able to report earnings equivalent to \$4.24 a share on its capital stock, against a substantial deficit for 1932. This earnings improvement was continued during the initial quarter of the current year, when net income of \$649,953 equivalent to \$1.84 a share, compared with \$335,323 or 95 cents a share in the preceding quarter and \$100,602 or 29 cents a share in the initial quarter of 1932. The company produces a broad line of aluminum and brass castings, including many vital automobile parts. In addition to many leading automobile manufacturers, it numbers among its customers manufacturers of vacuum cleaners, washing machines and airplanes. In fact, any organization which manufactures high-speed light-weight machinery is a potential customer. The company pioneered the aluminum piston and more recently introduced a perfected cylinder head made from the same metal. The latter rendered possible an increase in compression ratio and has been adopted by such companies as Ford, Auburn, Chrysler, Hudson, Studebaker and others. Considerable experience was gained by the
(Please turn to page 155)

MARKET REACTION

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| <input type="checkbox"/> | UNUSUAL OPPORTUNITIES | Speculative investments in low-priced but sound issues that offer outstanding possibilities for market profit. Three to four wires a month. Three to five stocks carried at a time. \$500 capital sufficient to purchase 10 shares of all recommendations on over 60% margin. |
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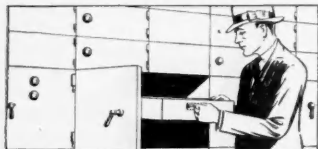
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bution of fifty cents per share on the Company's
2,540,000 shares of capital stock without nominal
or par value, payable June 15, 1934, to stockholders
of record at the close of business on June 1, 1934.
H. F. J. KNOBLOCH, Treasurer.

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New York Stock Exchange

Rails

A	1932		1933		1934		Last Sale 5/16/34	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Atchison	94	17 1/2	80 1/2	34 1/2	73 1/2	51 1/2	55	..
Atlantic Coast Line	44	9 1/2	59	16 1/2	54 1/2	34 1/2	36	..
B								
Baltimore & Ohio	21 3/4	3 3/4	37 3/4	8 1/4	34 1/2	21	23	..
Bangor & Aroostook	35 1/4	9 1/2	41 1/2	20	46 1/2	39 1/2	40	2 1/2
Brooklyn-Manhattan Transit	50 1/2	11 1/2	41 1/2	21 1/2	39 3/4	28 1/2	35 3/4	..
C								
Canadian Pacific	20 3/4	7 1/4	20 3/4	7 1/4	18 1/4	12 3/4	16 1/2	2.80
Chesapeake & Ohio	31 1/2	9 3/4	49 3/4	24 3/4	47 3/4	39 1/2	44 3/4	..
C. M. & St. Paul & Pacific	14 1/2	3 1/4	11 1/4	1	17 1/2	4 1/2	5	..
Chicago & Northwestern	14 1/2	2	16	1 1/4	15	6 1/2	9 3/4	..
Chicago, Rock Is. & Pacific	16 3/4	1 3/4	10 1/2	2	6 1/4	2 3/4	3 3/4	..
D								
Delaware & Hudson	92 1/2	32	93 1/2	37 1/2	73 1/2	50	52	..
Delaware, Lack. & Western	45 1/2	8 1/2	46	17 1/4	33 1/4	20 1/2	22	..
E								
Erie R. R.	11 3/4	2	25 3/4	3 3/4	24 3/4	13 3/4	18 1/2	..
G								
Great Northern Pfd.	25	5 1/2	33 1/4	4 1/2	32 1/2	18	20 3/4	..
I								
Illinois Central	24 3/4	4 3/4	50 3/4	8 1/2	38 3/4	22	24	..
Interborough Rapid Transit	14 3/4	2 3/4	13 3/4	4 1/2	13 3/4	7	7 1/2	..
K								
Kansas City Southern	15 1/4	2 1/4	24 3/4	6 1/2	19 3/4	11	13	..
L								
Lehigh Valley	29 1/4	5	27 3/4	8 3/4	21 1/4	12 3/4	14 1/2	..
M								
Mo., Kansas & Texas	13	1 1/4	17 1/2	5 3/4	14 3/4	7 1/2	8 3/4	..
Missouri Pacific	11	1 1/2	10 3/4	1 1/2	6	3	3 1/2	..
N								
New York Central	36 3/4	8 3/4	58 1/2	14	45 1/2	25 1/2	27 3/4	..
N. Y. Chic. & St. Louis	9 3/4	1 1/2	27 3/4	2 1/2	26 1/2	15	17 1/4	..
N. Y., N. H. & Hartford	31 3/4	6	34 3/4	11 3/4	24 1/2	13 3/4	14 3/4	..
N. Y., Ontario & Western	15 3/4	3 3/4	15	7 1/2	11 3/4	7 1/4	7 3/4	..
Northern Pacific	25 3/4	5 3/4	34 3/4	9 3/4	36 1/4	21 3/4	24 3/4	..
P								
Pennsylvania	23 3/4	6 1/4	42 1/4	13 3/4	39 1/2	28 1/4	30	50
Pere Marquette	18	1 3/4	37	3 3/4	38	16 1/2	25	..
S								
St. Louis-San Fran.	6 3/4	5 3/4	9	7 1/4	4 3/4	2 3/4	2 3/4	..
Southern Pacific	37 3/4	6 1/2	38 3/4	11 3/4	33 3/4	18 1/2	21 3/4	..
Southern Railway	18 1/2	2 1/2	36	4 3/4	36 1/2	21 1/2	24 1/2	..
U								
Union Pacific	94 1/2	27 3/4	132	61 1/4	133 3/4	110 1/2	119 1/2	6
W								
Western Maryland	11 3/4	1 1/2	16	4	17 1/4	8 3/4	10 3/4	..
Western Pacific	4 3/4	1 1/2	9 1/2	1	8 1/2	2 3/4	4 3/4	..

Industrials and Miscellaneous

A	1932		1933		1934		Last Sale 5/16/34	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Adams Express	9 1/2	1 3/4	13 1/4	3	11 1/2	6 1/2	8 1/2	..
Air Reduction, Inc.	63 1/2	30 1/2	112	47 1/2	106 1/2	93 1/2	95 1/2	3
Alaska Juneau	16 3/4	7 3/4	33	11 1/2	23 1/2	17 1/2	18 1/2	90
Alleghany Corp.	3 3/4	3 3/4	8 1/4	5 1/2	5 1/2	2 1/2	2 1/2	..
Allied Chemical & Dye	88 1/2	42 1/2	152	70 1/4	160 1/2	126 1/2	129 1/2	6
Allis Chalmers Mfg.	15 3/4	4	26 3/4	6	23 3/4	13 1/2	15 1/2	..
Amer. Brake Shoe & Fdy	17 3/4	6 1/4	42 1/2	9 1/2	38	23 3/4	27	80
American Can.	73 3/4	29 3/4	100 1/2	49 1/2	107 3/4	90 1/4	92	4
Amer. Car & Fdy	17	3 3/4	39 3/4	6 3/4	33 3/4	19 3/4	20 3/4	..
Amer. Com'l Alcohol	27	11	89 3/4	13	62 1/2	36 3/4	37 1/4	..
American & Foreign Power	15	2	19 3/4	3 3/4	13 3/4	7	8	..
Amer. International Corp.	12	2 1/2	15 3/4	4 1/4	11	6 1/2	8	..
Amer. Mach. & Fdry	22 1/2	7 1/2	22 3/4	8 1/4	19 3/4	13	14 1/2	80
Amer. Power & Light	17 3/4	3	19 3/4	4	12 1/2	6 3/4	7 3/4	..
Amer. Radiator & S. S.	12 1/4	3 3/4	19	4 3/4	17 3/4	12	13 1/2	..
Amer. Rolling Mill	18 1/2	3	31 1/2	5 3/4	28 1/2	16 3/4	17 3/4	..
Amer. Smelting & Refining	27 1/4	5 3/4	63 3/4	10 3/4	51 1/4	35 3/4	37 3/4	..
Amer. Steel Foundries	15 3/4	3	27	4 3/4	26 1/2	15	16 1/2	..
Amer. Sugar Refining	39 1/4	13	74	21 1/2	61	46	51 1/4	2
Amer. Tel. & Tel.	137 3/4	70 1/4	134 3/4	86 1/2	125 1/4	107 1/4	112 3/4	9
Amer. Tobacco Com.	86 1/4	40 3/4	90 3/4	49	82 3/4	65 3/4	68	..
Amer. Tob. B.	89 3/4	44	94 3/4	50 3/4	84 1/2	67	70	6
Amer. Water Works & Elec.	34 1/2	11	43 1/2	10 1/2	27 3/4	16 3/4	18	1
Amer. Woolen	10	1 1/2	17	3 1/2	17 3/4	8 1/2	10 1/2	..
do Pfd.	39 3/4	15 1/2	67 1/2	22 3/4	83 3/4	58	60	1 1/4
Anaconda Copper Mining	19 3/4	3	22 3/4	5	17 3/4	13	13 3/4	..
Armour Ill. A.	2 3/4	5 3/4	7 1/4	1 1/2	8	4 1/4	6 1/2	..
do B.	2	5 3/4	5 3/4	1 1/2	3 3/4	2 1/4	3 1/4	..
Atlantic Refining	21 3/4	8 3/4	32 3/4	12 3/4	35 3/4	21 3/4	24 3/4	1
Auburn Auto.	15 1/4	28 3/4	84 1/4	31	87 3/4	31 1/4	34	2
Aviation Corp. Del.	8 3/4	1 1/2	16 3/4	5 1/2	10 3/4	5 3/4	6 3/4	..
B								
Baldwin Loco. Works	12	2	17 3/4	3 1/2	16	9 3/4	11	..
Barnsdall Corp.	7	3 3/4	11	3	10	7	7 3/4	..
Beatrice Creamery	43 1/2	10 3/4	27	7	18 1/4	10 3/4	15 1/4	..
Beech-Nut Packing	46 3/4	29 3/4	70 1/2	45	67	58	61	3

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Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

B	1932		1933		1934		Last Sale 5/16/34	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Bendix Aviation.....	18 1/4	4 1/4	21 1/4	6 1/4	23 3/4	13 3/4	15	1
Best & Co.....	24 3/4	5 1/4	33 3/4	9	34 3/4	26 3/4	29 3/4	1
Bethlehem Steel Corp.....	29 3/4	7 1/4	49 3/4	10 1/4	49 3/4	32	35 3/4	3
Bohn Aluminum.....	23 3/4	4 3/4	58 3/4	9 3/4	68 3/4	49 3/4	53	1.60
Borden Company.....	43 3/4	20 3/4	37 3/4	18	27 1/4	19 1/4	25	1
Borg Warner.....	14 1/4	3 3/4	22 1/4	5 1/4	28 3/4	20 3/4	22	.50
Briggs Mfg.....	11 1/4	2 3/4	14 3/4	2 3/4	19 3/4	12	16 1/4	.40
Burroughs Adding Machine.....	13 1/4	6 1/4	20 3/4	6 1/4	19 3/4	12 1/4	13	..
Byers & Co. (A. M.).....	24 3/4	7 1/4	43 3/4	8 1/4	32 3/4	19	21	..
C								
Canada Dry Ginger Ale.....	15	6	41 1/4	7 1/4	29 3/4	21	21 3/4	1
Case, J. L.....	65 3/4	16 3/4	103 3/4	30 3/4	95 3/4	46	49	.50
Caterpillar Tractor.....	15	4 3/4	29 3/4	8 3/4	44 3/4	24 3/4	26 3/4	.50
Celanese Corp.....	12 3/4	1 1/4	58 3/4	4 3/4	40 3/4	30 3/4	31 3/4	2 1/2
Cerro de Pasco Copper.....	15	3 3/4	44 3/4	5 3/4	48 3/4	34	42	*1 1/4
Chesapeake Corp.....	20 3/4	4 3/4	52 3/4	14 3/4	60 3/4	36 3/4	38 3/4	6
Chrysler Corp.....	21 3/4	5	57 3/4	7 3/4	60 3/4	36 3/4	38 3/4	14
Coca-Cola Co.....	120	68 3/4	105	73 3/4	127	95 3/4	118	3
Colgate-Palmolive-Peet.....	31 3/4	10 3/4	22 3/4	7	18 3/4	9 3/4	14	1.30
Columbian Carbon.....	41 3/4	13 3/4	71 3/4	23 3/4	77 3/4	58	63	2
Comm. Gas & Elec.....	21	4 3/4	28 3/4	9	35 3/4	18 3/4	27 3/4	.98
Comm. Inv. Trust.....	11	3 3/4	19 3/4	4	19 3/4	11 3/4	12	1
Commercial Credit.....	27 3/4	10 3/4	43 3/4	18	59 3/4	35 3/4	50 3/4	.60
Commercial Solvents.....	13 3/4	3 3/4	57 3/4	9	36 3/4	19 3/4	22 3/4	2 1/2
Commonwealth & Southern.....	5 3/4	1 3/4	6 3/4	1 1/4	3 3/4	1 1/4	2 3/4	1.30
Congoleum-Nairn.....	12 3/4	6 3/4	27 3/4	7 3/4	31 3/4	23	25	2
Consolidated Gas of N. Y.....	68 3/4	31 3/4	64 3/4	34	47 3/4	31 3/4	32 3/4	.98
Consol. Oil.....	9	4	15 3/4	5	14 3/4	9 3/4	10 3/4	3
Continental Can, Inc.....	41	17 3/4	78 3/4	35 3/4	81 3/4	69 3/4	72 3/4	1.20
Continental Insurance.....	28 3/4	6 3/4	38 3/4	10 3/4	35 3/4	23 3/4	29 3/4	3
Continental Oil.....	9	3 3/4	19 3/4	4 3/4	22 3/4	16 3/4	1 3/4	1.20
Corn Products Refining.....	55 3/4	24 3/4	90 3/4	45 3/4	84 3/4	60 3/4	63	3
Crown Cork & Seal.....	23 3/4	7 3/4	65	14 3/4	36 3/4	24 3/4	26 3/4	2 1/2
Cudahy Packing.....	35 3/4	20	59 3/4	20 3/4	50 3/4	37	44	3 1/4
Curtis Wright, Common.....	3 3/4	7 3/4	4 3/4	4 3/4	8 3/4	2 1/2	3 1/4	..
D								
Diamond Match.....	19 1/4	12	29 1/4	17 1/4	28 1/4	21 1/4	22 1/4	1
Dome Mines.....	12 3/4	7 3/4	39 1/4	12	40 3/4	32	36 3/4	*3 1/2
Dominion Stores.....	18 1/4	11 1/4	26 3/4	10 3/4	23	19	19 3/4	1.20
Douglas Aircraft.....	18 3/4	5	18 3/4	10 3/4	28 3/4	14 3/4	18 1/4	2
Du Pont de Nemours.....	59 3/4	22	96 3/4	32 3/4	103 3/4	80	81 3/4	..
E								
Eastman Kodak Co.....	57 3/4	35 3/4	89 3/4	46	96 3/4	79	93 1/4	4
Electric Auto Lite.....	32 3/4	8 3/4	27 3/4	10	31 3/4	18 3/4	21 3/4	..
Elec. Power & Light.....	16	2 3/4	15 3/4	3 3/4	9 3/4	4 3/4	5 3/4	2
Electric Storage Battery.....	33 3/4	12 3/4	54	21	52	40 3/4	40 3/4	..
F								
Firestone Tire & Rubber.....	18 3/4	10 3/4	31 3/4	9 3/4	25 3/4	17	18 1/4	.40
First National Stores.....	64 3/4	35	70 3/4	43	67 3/4	54 3/4	59 3/4	2 1/2
Fox Film, Cl. A.....	5 3/4	1	19	12	17 1/4	12 3/4	14	..
Freeport Texas Co.....	28 3/4	10	49 3/4	16 3/4	50 3/4	35	37 3/4	2
G								
General Amer. Transpt.....	35 3/4	9 3/4	43 3/4	13 3/4	43 3/4	33 3/4	36 3/4	1
General Asphalt.....	15 3/4	4 3/4	27 3/4	4 3/4	23 3/4	15 3/4	18	..
General Baking.....	19 3/4	10 3/4	20 3/4	10 3/4	14 3/4	9 3/4	11	.60
General Electric.....	26 3/4	8 3/4	30 3/4	10 3/4	26 3/4	18 3/4	19 3/4	1.80
General Foods.....	40 3/4	19 3/4	39 3/4	21	36 3/4	32	32 3/4	3
General Mills.....	48 3/4	28	71	35 3/4	64 3/4	53 3/4	55 3/4	1
General Motors Corp.....	24 3/4	7 3/4	35 3/4	10	42	29 3/4	32	1
General Railway Signal.....	28 3/4	6 3/4	49 3/4	13 3/4	45 3/4	31 3/4	33 3/4	1
General Refractories.....	15 3/4	1 3/4	19 3/4	2 3/4	23 3/4	10 3/4	15 3/4	1
Gillette Safety Razor.....	24 3/4	10 3/4	20 3/4	7 3/4	12 3/4	8 3/4	10 3/4	1
Glidden Co.....	10 3/4	3 3/4	20	3 3/4	28 3/4	15 3/4	25 3/4	1.20
Gold Dust Corp.....	20 3/4	8 3/4	27 3/4	12	23	16 3/4	19 3/4	..
Goodrich Co. (B. F.).....	12 3/4	2 3/4	21 3/4	3	15	12 3/4	13 3/4	2.40
Goodyear Tire & Rubber.....	29 3/4	5 3/4	47 3/4	9 3/4	41 3/4	26 3/4	28 3/4	..
Great Western Sugar.....	12	3 3/4	41 3/4	7	34 3/4	25	26 3/4	..
H								
Hershey Chocolate.....	83	43 3/4	72	35 3/4	64 3/4	48 3/4	63	3
Houston Oil of Texas (New).....	5 3/4	1 3/4	7 3/4	1 3/4	5 3/4	3 3/4	3 3/4	..
Hudson Motor Car.....	11 3/4	2 3/4	16 3/4	3	24 3/4	12 3/4	13 3/4	..
Hupp Motor Car.....	5 3/4	1 3/4	7 3/4	1 3/4	7 3/4	3 3/4	3 3/4	..
I								
Ingersoll-Rand.....	44 3/4	14 3/4	78	19 3/4	73 3/4	50	51 3/4	1 1/2
Inter. Business Machines.....	117	52 3/4	153 3/4	75 3/4	149 3/4	132	135 3/4	6
Inter. Cement.....	34 3/4	3 3/4	40	6 3/4	37 3/4	22 3/4	24	.60
Inter. Harvester.....	34 3/4	10 3/4	46	13 3/4	46 3/4	30	32 3/4	.20
Inter. Nickel.....	12 3/4	3 3/4	23 3/4	6 3/4	29 3/4	21	27 3/4	..
International Shoe.....	44 3/4	20 3/4	56 3/4	24 3/4	50 3/4	40	40	2
Inter. Tel. & Tel.....	15 3/4	2 3/4	21 3/4	5 3/4	17 3/4	11 3/4	12	..
J								
Johns-Manville.....	33 3/4	10	63 3/4	12 3/4	66 3/4	44	48 3/4	..
K								
Kelvinator.....	10 3/4	2 3/4	15 3/4	3 3/4	21 3/4	11 3/4	16	.50
Kennecott Copper.....	19 3/4	4 3/4	26	7 3/4	23 3/4	13 3/4	17 3/4	.80
Kresge (S. S.).....	19	6 3/4	16 3/4	5 3/4	22 3/4	13 3/4	17 3/4	*1 1/4
Kroger Grocery & Baking.....	18 3/4	10	35 3/4	14 3/4	33 3/4	23 3/4	29 3/4	..
L								
Lambert Co.....	56 3/4	25	41 3/4	19 3/4	31 3/4	22 3/4	25	3
Lehman Corp.....	51 3/4	30 3/4	79 3/4	37 3/4	75	64 3/4	66 3/4	2.40
Libbey-Owens-Ford.....	9 3/4	3 3/4	37 3/4	4 3/4	43 3/4	27 3/4	30 3/4	1.20
Liggett & Myers Tob. B.....	67 3/4	34 3/4	99 3/4	49 3/4	96	73	89	*5
Liquid Carbonic.....	22	9	50	10 3/4	35 3/4	25 3/4	27 3/4	*1 1/4
Loew's, Inc.....	37 3/4	13 3/4	36 3/4	8 3/4	35 3/4	25 3/4	30	1
Loose Wiles Biscuit.....	36 3/4	16 3/4	44 3/4	19 3/4	44 3/4	38 3/4	39 3/4	2
Lorillard.....	18 3/4	9	25 3/4	10 3/4	19 3/4	15 3/4	16 3/4	1.20
V								
Mack Truck, Inc.....	28 3/4	10	46 3/4	13 3/4	41 3/4	23 3/4	25 3/4	1
Macy (R. H.).....	60 3/4	17	65 3/4	24 3/4	62 3/4	39 3/4	42 3/4	2
Marine Midland.....	14 3/4	6 1/4	11 3/4	5	9	5 3/4	7 3/4	.40

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Dividends and Interest

Chrysler Corporation

* DIVIDEND ON COMMON STOCK *

A regular quarterly dividend, for the second quarter of 1934, of twenty-five cents (\$.25) per share, and a special dividend of twenty-five cents (\$.25) per share, on the Common Stock, have been declared, payable June 30, 1934, to stockholders of record at the close of business June 1, 1934.

B. E. Hutchinson, Vice President and Treasurer

UNDERWOOD ELLIOTT FISHER COMPANY
A dividend of \$1.75 a share on the Preferred stock and a dividend of 37½¢ a share on the Common stock of Underwood Elliott Fisher Company will be payable June 30, 1934, to stockholders of record at the close of business June 12, 1934.

Transfer books will not be closed.

C. S. DUNCAN, Treasurer.

THE ELECTRIC STORAGE BATTERY COMPANY
Allegheny Avenue & 19th Street

Philadelphia, May 18th, 1934.

The Directors have declared from the Accumulated Surplus of the Company a quarterly dividend of Fifty Cents (\$.50) per share on the Common Stock and the Preferred Stock, payable July 2nd, 1934, to stockholders of record of both of these classes of stock at the close of business on June 9th, 1934. Checks will be mailed.

WALTER G. HENDERSON, Treasurer.

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1932		1933		1934		Last Sale 5/16/34	Div'd \$ Per Share
M	High	Low	High	Low	High	Low		
Mathieson Alkali.....	20 7/8	9	46 1/2	14	40 1/2	28	29 1/2	1 1/2
May Dept. Stores.....	20	9 1/2	33	9 1/2	44 1/2	30	37 1/2	1.60
McIntyre, Porc M.....	21 1/2	13	48 1/2	18	50 1/2	38 1/2	43 1/2	1 1/2
McKeesport Tin Plate.....	62 1/2	28	95 1/2	44 1/2	94 1/2	83	85 1/2	4
Mont. Ward & Co.....	16 1/2	5 1/2	28 1/2	8 1/2	35 1/2	21 1/2	24 1/2	
N								
Nash Motor Co.....	19 1/2	8	27	11 1/2	32 1/2	15 1/2	17 1/2	
National Biscuit.....	46 1/2	20 1/2	60 1/2	31 1/2	49 1/2	35	35	2
National Cash Register A.....	18 1/2	6 1/2	23 1/2	5 1/2	22 1/2	14 1/2	15 1/2	
National Dairy Prod.....	31 1/2	14 1/2	25 1/2	10 1/2	18	13	16 1/2	1.20
National Distillers.....	27 1/2	13	38 1/2	20 1/2	31 1/2	23 1/2	25	
National Power & Light.....	20 1/2	6 1/2	20 1/2	6 1/2	15 1/2	8 1/2	10	.80
National Steel.....	33 1/2	13 1/2	55 1/2	15	58 1/2	41	42 1/2	1
North Amer. Aviation.....	6 1/2	1 1/2	9	4	8 1/2	4 1/2	4 1/2	
North American Co.....	43 1/2	13 1/2	36 1/2	12 1/2	25 1/2	13 1/2	16	.50
O								
Ohio Oil.....	11	5	17 1/2	4 1/2	15 1/2	10 1/2	11 1/2	.15
Otis Elevator.....	22 1/2	9	25 1/2	10 1/2	19 1/2	14	15	.60
Otis Steel.....	9 1/2	1 1/2	9 1/2	1 1/2	8	4 1/2	5	
Owens Ill. Glass.....	42 1/2	12	96 1/2	31 1/2	94	73 1/2	74 1/2	3
P								
Pacific Gas & Electric.....	37	16 1/2	31 1/2	15	23 1/2	15 1/2	17 1/2	1 1/2
Pacific Lighting.....	47 1/2	20 1/2	43 1/2	22	37	23 1/2	31	3
Packard Motor Car.....	8 1/2	1 1/2	6 1/2	1 1/2	6 1/2	3 1/2	4	
Paramount Publ.	11 1/2	1 1/2	2 1/2	1 1/2	5 1/2	1 1/2	4 1/2	
Penney (J. C.).....	34 1/2	13	56	19 1/2	67 1/2	51 1/2	57 1/2	*2.20
Peoples Gas—Chicago.....	121	39	78	25	43 1/2	27	31	
Phelps Dodge Corp.....	11 1/2	3 1/2	18 1/2	4 1/2	18 1/2	14 1/2	15 1/2	.25
Phillips Petroleum.....	8 1/2	3 1/2	18 1/2	4 1/2	20 1/2	15 1/2	17 1/2	.50
Procter & Gamble.....	40 1/2	19 1/2	47 1/2	19 1/2	43 1/2	33 1/2	34 1/2	1 1/2
Public Service of N. J.....	45	28 1/2	57 1/2	32 1/2	45	33	35 1/2	2.80
Pullman, Inc.....	23	10 1/2	58 1/2	18	59 1/2	47	49 1/2	3
Pure Oil.....	6 1/2	2 1/2	15 1/2	2 1/2	14 1/2	9 1/2	10 1/2	.3
Purity Bakeries.....	15 1/2	4 1/2	28 1/2	5 1/2	19 1/2	12 1/2	13 1/2	1
R								
Radio Corp. of America.....	13 1/2	2 1/2	12 1/2	3	9 1/2	6 1/2	7 1/2	
Radio-Keith-Orpheum.....	7 1/2	1 1/2	8 1/2	1	4 1/2	2 1/2	2 1/2	
Remington-Rand.....	7 1/2	1	11 1/2	2 1/2	13 1/2	6 1/2	9 1/2	
Republic Steel.....	13 1/2	1 1/2	23 1/2	4	25 1/2	15	16 1/2	
Reynolds (R. J.) Tob. Cl. B.....	40 1/2	26 1/2	54 1/2	26 1/2	45 1/2	39 1/2	42 1/2	3
S								
Safeway Stores.....	59 1/2	30 1/2	62 1/2	28	57	44	48 1/2	3
Sears, Roebuck & Co.....	37 1/2	9 1/2	47	12 1/2	51 1/2	40 1/2	42 1/2	.80
Seaboard Oil—Del.....	20 1/2	6 1/2	43 1/2	15	38 1/2	25 1/2	32 1/2	
Servel, Inc.....	5 1/2	1 1/2	7 1/2	1 1/2	9	4 1/2	7 1/2	
Shattuck (F. G.).....	12 1/2	5	13 1/2	4	13 1/2	6 1/2	9 1/2	.24
Shell Union Oil.....	8 1/2	2 1/2	11 1/2	4	11 1/2	7 1/2	8 1/2	
Simmons Co.....	13 1/2	2 1/2	13 1/2	4 1/2	24 1/2	14 1/2	16 1/2	.30
Socony-Vacuum Corp.....	13 1/2	5 1/2	17	6	19 1/2	14	15 1/2	
So. Cal. Edison.....	32 1/2	15 1/2	28	14 1/2	22 1/2	15 1/2	16 1/2	2
Standard Brands.....	17 1/2	8 1/2	37 1/2	13 1/2	25 1/2	18 1/2	19 1/2	1
Standard Gas & Elec. Co.....	34 1/2	7 1/2	22 1/2	5 1/2	17	6 1/2	9 1/2	
Standard Oil of Calif.....	31 1/2	15 1/2	45	19 1/2	42 1/2	30 1/2	30 1/2	1
Standard Oil of N. J.....	37 1/2	19 1/2	47 1/2	22 1/2	80 1/2	41 1/2	41 1/2	3.80
Sterling Products.....	6 1/2	2 1/2	11 1/2	4 1/2	6 1/2	4 1/2	5 1/2	
Stewart Warner.....	17 1/2	4 1/2	19 1/2	5 1/2	18 1/2	6 1/2	7 1/2	
Stone & Webster.....	13 1/2	2 1/2	8 1/2	1 1/2	9 1/2	4 1/2	5	
Studebaker Corp.....	13 1/2	2 1/2	8 1/2	1 1/2	9 1/2	4 1/2	5	
T								
Texas Corp.....	18 1/2	9 1/2	30 1/2	10 1/2	29 1/2	21 1/2	23 1/2	1
Texas Gulf Sulphur.....	26 1/2	12	45 1/2	15 1/2	43 1/2	30 1/2	32 1/2	2
Tide Water Assoc. Oil.....	5 1/2	2	11 1/2	3	8 1/2	4	12 1/2	
Timken Roller Bearing.....	23	7 1/2	35 1/2	13 1/2	41	26 1/2	28 1/2	1
Transamerica Corp.....	7 1/2	2 1/2	9 1/2	2 1/2	8 1/2	6 1/2	6	12 1/2
Tri-Continental Corp.....	5 1/2	1 1/2	8 1/2	2 1/2	6 1/2	4	4 1/2	
U								
Underwood-Elliott-Fisher.....	24 1/2	7 1/2	39 1/2	9 1/2	51 1/2	36	39	1 1/2
Union Carbide & Carbon.....	36 1/2	15 1/2	51 1/2	19 1/2	50 1/2	35 1/2	37 1/2	1
Union Oil of Cal.....	15 1/2	8 1/2	23 1/2	8 1/2	20 1/2	15	16	
United Aircraft & Trans.....	34 1/2	6 1/2	45 1/2	16 1/2	37 1/2	17 1/2	20 1/2	
United Carbon.....	18	6 1/2	38	10 1/2	45 1/2	35	39 1/2	1.72
United Corp.....	14	3 1/2	14 1/2	4	8 1/2	4 1/2	5 1/2	
United Corp. Pfd.....	39 1/2	20	40 1/2	22 1/2	37 1/2	24 1/2	31	3
United Fruit.....	32 1/2	10 1/2	68	23 1/2	77	59	67 1/2	*2 1/2
United Gas Imp.....	22	9 1/2	25	13 1/2	20 1/2	14 1/2	15 1/2	1.20
U. S. Industrial Alcohol.....	36 1/2	13 1/2	94	13 1/2	64 1/2	37	40	
U. S. Pipe & Fdy.....	15 1/2	7 1/2	22 1/2	6 1/2	32	18	22	.50
U. S. Realty.....	11 1/2	2	14 1/2	2 1/2	12 1/2	8 1/2	7	
U. S. Rubber.....	10 1/2	1 1/2	25	2 1/2	24	14 1/2	18 1/2	
U. S. Smelting, Ref. & Mining.....	23 1/2	10	105 1/2	13 1/2	135 1/2	96 1/2	111 1/2	*5 1/2
U. S. Steel Corp.....	52 1/2	21 1/2	67 1/2	23 1/2	59 1/2	39 1/2	41 1/2	
U. S. Steel Pfd.....	113	51 1/2	105 1/2	53	99 1/2	86	87 1/2	2
Util. Power & Lt. A.....	10 1/2	1 1/2	8 1/2	1 1/2	8 1/2	2 1/2	3	
V								
Vanadium Corp.....	23 1/2	5 1/2	36 1/2	7 1/2	31 1/2	18	19 1/2	
W								
Warner Brothers Pictures.....	4 1/2	1 1/2	9 1/2	1	8 1/2	4 1/2	5 1/2	
Western Union Tel.....	50	12 1/2	77 1/2	17 1/2	66 1/2	40 1/2	42	
Westinghouse Air Brake.....	18 1/2	9 1/2	35 1/2	11 1/2	36	25 1/2	26 1/2	1
Westinghouse Elec. & Mfg.....	43 1/2	15 1/2	58 1/2	19 1/2	47 1/2	30 1/2	32 1/2	
White Motor.....	27 1/2	6 1/2	26 1/2	15 1/2	28 1/2	16 1/2	16 1/2	
Woolworth Co. (E. W.).....	22	50 1/2	25 1/2	25 1/2	54 1/2	41 1/2	49	2.40
Worthington Pump & Mach.....	24	5	39 1/2	8	31 1/2	17	20 1/2	
Wrigley (W. Jr.).....	67	26 1/2	57 1/2	34 1/2	65	54 1/2	61	*3 1/2

§ Payable in stock. * Including extra.

Answers to Inquiries

(Continued from page 150)

manufacture of bearings for aircraft engines, and this has been utilized by the company in the development of a bearing particularly adaptable to the new high-speed automobile motors. Brass, bronze and aluminum products of various types employed by the plumbing and architectural trades are also manufactured. Last year, the company added substantially to its metal inventories at prices considerably below those now prevailing. While some slackening in demand from the automobile industry may be noted during the summer months, we do not feel that this will be anything but temporary. Certainly, Bohn Aluminum's strong trade and financial position, together with its promising longer term outlook, would appear to warrant an increased dividend later in the year. Thus, we feel that purchases should prove profitable if made during reactionary periods of the market.

HIRAM WALKER-GOODERHAM
& WORTS, LTD.

Last year I made a nice profit on Hiram Walker-Gooderham & Worts. Now that this stock is back near where I bought it, I would like to know if current prices accurately reflect its possibilities? Or do you think the stock should be purchased around present prices?—L. A. R., Buffalo, N. Y.

While no recent statement of earnings has been released by Hiram Walker-Gooderham & Worts, Ltd., there is no question but that this leading Canadian distiller has benefited to a marked degree from repeal of the 18th Amendment in the United States. Moreover, improved economic conditions in Canada are understood to have considerably aided domestic sales. The management, recognizing the advisability of establishing a distillery in the United States, purchased, last summer, some 20 acres of land at Peoria, Ill., upon which a plant, said to be the largest in the world, has been erected. This will enable the company to compete on an equal price basis with domestic distillers, while its widely-known name will add prestige to its products and should prove of considerable sales benefit. Prior to repeal, the company is understood to have had on hand 14,500,000 gallons of aged whiskey, the greater part of which was over four years old. Naturally, there has been a great demand for such whiskeys on the part of American rectifiers, due to the fact that

stocks in this country were entirely too low to anywhere near meet requirements. Prior to the erection of the Peoria plant, the company had a potential output of some 8,000,000 Imperial proof gallons annually, and an aging warehouse capacity of 15,000,000 proof gallons. The Peoria plant is designed to produce some 100,000 gallons of 95 proof spirits daily. The management, as is common practice, plans to hold back about 50% of the output of the new plant for aging. In this connection, it is well to bear in mind that the large inventories necessarily carried by distillers render unlikely dividend distributions of the proportion often declared by concerns in other lines of business. Moreover, in the case of the subject company, the rapid expansion of plant capacity during recent months has unquestionably absorbed a considerable portion of earnings. Thus, distributions on the common may be delayed for some time, but the company's leading trade position certainly renders its long-range outlook highly promising. While there are indications that liquor prices will be reduced further, the drive being conducted by the Federal Government to eliminate the illegal traffic should prove an offsetting factor. While speculative in character, we feel that the common stock of Hiram Walker-Gooderham & Worts, Ltd., offers

definite attraction at present reasonable quotations.

CHASE NATIONAL BANK

I have some Chase National Bank stock bought in 1930 at around 100. I note it is now selling somewhat above its book value, but inasmuch as its business seems to be improving, I would like to know if this would be a good time to average down?—E. R., Norwood, Ohio.

Bank stocks, as a class, declined during the closing months of last year to almost their depression lows, reflecting monetary uncertainties, unsatisfactory earnings and general distrust by the public of this type of security. The shares of the Chase National Bank proved no exception to this rule and declined to a small fraction of their prosperity quotations. With definite steps taken to stabilize the dollar, however, fear of "printing press" inflation gradually diminished and more attention was given to the intrinsic worth of such issues as Chase. On February 27, last, stockholders of the bank approved the issuance of \$50,000,000 in 5% preferred stock and a reduction in the par value of the common stock from \$20 to \$13.55 a share. The latter released \$47,730,000 which has been employed to write down certain assets to conform more closely with their present values.



Rate reductions reduce revenue. Expenses are increasing due to NRA, higher taxes, and the cost of government investigations. Continuation of this trend will make it difficult to earn even operating expenses and taxes.

There would have been \$12,496,000 more for investors in 1933 if the Associated Gas & Electric System had received 1928 electric rates, paid taxes at the 1926 rate, and employees had not been insured.

The Associated Gas and Electric Plan of Rearrangement of Debt Capitalization aims to protect investors against adverse developments that cannot be controlled by management.



ASSOCIATED GAS & ELECTRIC SYSTEM

61 Broadway, New York

While this conservative policy has resulted in a sharp decline in the indicated book value of the stock, it should be borne in mind that many of its investments now being carried at a nominal value may eventually reattain a good portion of their former worth. The report of condition dated March 31, last, revealed an increase in deposits of \$133,148,000 during the initial quarter, the total being \$1,497,486,744. Since no further charge-offs are believed likely and with indicated earnings in excess of dividend requirements, the present annual distribution on the common stock may be regarded as reasonably assured. Moreover, with the general outlook for trade promising, there should soon be noted a decided increase in demand for credit, which will enable Chase to employ its large excess reserves profitably. Thus, while we recognize that stricter regulations now being placed upon banking institutions will eliminate certain formerly profitable practices, we feel that you might well acquire additional shares of the subject company for reasonable appreciation over the longer term.

E. G. BUDD MANUFACTURING CO.

Do you feel that the manufacture of streamlined trains by Budd Manufacturing Co. holds promise of sizable profits? I am considering a commitment in the common stock, but would like your opinion before taking action.—C. C. M., Troy, N. Y.

The E. G. Budd Manufacturing Co. has long been a prominent factor in the development and manufacture of various types of all-steel bodies and related products. Its most recent innovation is that referred to in your letter, namely, a streamlined train, capable of high speed at a comparatively low operating cost. In addition to the train which was recently built for the Chicago, Burlington & Quincy Railroad Co., Budd is building a train of this type for the Brooklyn-Manhattan Transit Corp. While we recognize the advantages offered by such a unit, the present none too favorable credit position of the railroads will probably delay substantial profits from this venture for some years to come. Fundamentally, the prosperity of the company is closely linked with that of the automotive industry, which will undoubtedly continue to contribute the bulk of revenues. Improved demand for automobile bodies enabled the company to reduce its net loss for 1933 to \$886,701 from the deficit of \$1,785,757 for 1932. Further improvement was registered in the initial quarter of the current year when a net loss of \$15,458 was reported, against a deficit of \$397,488 in the ini-

tial quarter of 1933. Operations during the month of March are understood to have been on a profitable basis. The balance sheet dated December 31, 1933, revealed total current assets of \$4,119,407, including cash of \$306,944, against current liabilities of \$3,782,522. Net working capital declined during the year from \$1,575,453 to \$336,885. Earnings of the company have fluctuated widely over the past several years, a substantial loss having been recorded in both 1926 and 1927, followed by the two relatively prosperous years, 1928 and 1929. In 1930, however, profits were substantially lower than in either of those years, while deficit operations have since been the rule. Preferred dividends were omitted after the quarterly payment on November 1, 1930, and since these are cumulative, considerable earnings improvement will be necessary before any distribution might reasonably be anticipated upon the common. With a none too favorable earnings record and with a rather restricted working capital position, the common stock does not appear to offer attraction and we would not, therefore, endorse its purchase.

Prosperity Is Offered to Petroleum

(Continued from page 138)

stated objectives of the bill, the establishment of quotas, etc., within such state will be inoperative. This is an extremely important provision. It will be recalled that the efforts of the Government to regulate and allocate the production of crude oil in Texas were brought to an abrupt halt early this year by court decisions declaring that control of oil production was a function which belonged to the states. Despite the fact that the Texas Railroad Commission subsequently established quotas lower than those which the Government had previously announced, and the enactment of strict regulatory measures by the Texas Legislature, the machinery for enforcement has proven inadequate and the results accomplished have been insufficient to remove the menace of excessive production in East Texas. Thus, the Federal Petroleum Act, while recognizing states' rights, carries the evident intention of establishing Federal authority over crude production as a last resort if state regulation fails.

Finally, the bill limits the use of injunctions. No injunction, either permanent or temporary, could be granted until after final hearing and determination by three judges.

Whether or not this bill will pass the present session of Congress remains in the realm of uncertainty. That it will be opposed by organized minorities goes almost without saying. It is reported to have the backing of President Roosevelt, who will urge its passage at this session. Mr. Ickes has been quoted as regarding the outlook for the industry as being a gloomy one and all that has been accomplished to date will be of no avail unless the bill is enacted. Moreover, with no possibility of Supreme Court decision on the East Texas cases before next fall, the Government's hands would be tied so far as its ability to curb excessive production is concerned.

Viewing the outlook for the oil industry at this time, in the light of these contingencies, one is forced to conclude that in the failure of Congress to enact the Federal Petroleum Act, stability within the industry must continue to rely upon the ability of the State of Texas to control the East Texas fields—a very uncertain factor at best—and the willingness of the refining and marketing interests to abide by their agreement. Externally, the industry has much in its favor. The season of heaviest consumption has begun auspiciously, with demand clearly responding not only to the substantial increase in the sale of new automobiles but the increased use of cars and trucks generally, reflecting improved business and greater employment. Actually, the oil industry might well experience the most profitable season in four years and the deciding factor will be the willingness and ability of the industry to develop a genuine spirit of co-operation and get behind a definite program conceived in the interest of all concerned.

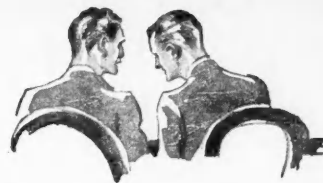
Consolidated Gas of N. Y.

(Continued from page 143)

the 1929 net earnings. The 1933 earnings were equivalent to \$3.31 a share, which compares with \$4.03 earned in 1932, \$4.94 in 1934, \$5.06 in 1930, and \$4.81 in 1929.

The first quarter of 1934 shows a continuation of the drop in net earnings, the system reporting only \$1.10 a share for the three months ended March 31 against \$1.43 a share in the corresponding quarter of 1933. The reason for the recent dividend cut to \$2 a share is obviously contained in this trend. The sharp decline in net earnings for the first quarter is partly due to increased operating expenses brought on by compliance with the provisions of the N R A which has brought about a considerable advance-

A timely suggestion to a bank president



THOSE stoop-shouldered depositors in your lobby aren't looking for lost coins. Examining "knee-action" on new cars has curved their backs. Advertising—intelligently planned, vigorously executed—brought them, eager to see and understand, to the auto showrooms.

These are days of epochal changes, startling news. To gain public attention, your advertising must be *more powerful than ever*. The public, eager for new facts, will ignore old platitudes.

These are also days of serious problems of good-will building and business development for financial institutions.

To solve these problems, your advertising and new-business plans must be modernized. Some of yesterday's bank publicity policies and methods must be discarded. Others must be reshaped, revitalized. New ones, to meet today's new situations, must be developed.



The First Steps Have Been Taken and Charted

Experienced bank officials and the executives in charge of publicity see this need. Many have been thinking long and seriously about it, discussing it, reaching conclusions. Some have already put new policies and practices into action.

The conclusions reached, the actions taken, are of *vital importance* to every bank and trust company. Today, more than ever, financial institutions need the confidence,

the esteem and the business of the public—which they can get and hold with the help of intelligently-planned advertising, publicity and personal solicitation.



Now the Results Are To Be Displayed and Discussed

These new "1934 model" financial advertising ideas, plans and methods are now, for the first time, to be gathered together, displayed, explained and discussed—at the Financial Advertisers Association Convention, Buffalo, New York, September 10, 11, 12 and 13.

What an opportunity! You can *hear and see* the solutions, devised by the keenest minds in the field of financial advertising and business development, to your own serious problems. You can get *ideas and facts*, in those 4 days, that you could get so quickly in no other way. And you *need them now*.

A Quick Harvest of Valuable Information

You will see room-filling exhibits of today's new advertising material. You will sit in departmental meetings at which each of your departments' needs and opportunities will be analyzed. You will attend sessions at which topics of general but no less vital interest will be discussed. Speakers and discussion-leaders will avoid generalities, concentrate on *facts and information useful to all*.

After meeting hours, you will find many other executives who, stimulated by the day's discussions, will gather together again for informal interchange of experiences and ideas that, in many ways, may prove even *more interesting and informative* than the scheduled conferences.

* * *

Resolve *now* to be there. Come with the executive in charge of your advertising. And make a doubly-firm decision that *he* shall be there, even if later developments keep you away.

It's your *one opportunity* in the next 12 months to collect, at one stroke, the information from which you can build the kind of a publicity and new-business program, for *your institution*, that these crucial times demand.



Write *now* to Preston E. Reed, Executive Secretary, Financial Advertisers Association, 231 South LaSalle Street, Chicago, for reservations and information.

THIS ADVERTISEMENT PREPARED BY THE PURSE COMPANY, CHATTANOOGA, TENNESSEE

HOTEL DURHIN

6, PLACE VENDOME, 6
PARIS

Situated in the Historic Place Vendôme with the finest shopping district in the world at its doors, handy to the best theatres and principal banks, close to the Tuileries Gardens and the Opera. A hotel distinguished by that gracious charm and comfort found in the best homes and appreciated by a discerning clientele.

TERMS ON APPLICATION
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in the cost of labor as well as in the price of materials used. To a large degree the enormous increase in taxes is also responsible, and elsewhere in this article there is given an illustration of the ever increasing weight of this burden since 1929.

As to a concise appraisal of Consolidated Gas Common stock, the recent price of 32 indicates a well liquidated equity of one of the soundest utility companies in this country. Assuming the safety of the present \$2 dividend rate, and from the present outlook this rate appears reasonably safe for some time to come, unless a complete and radical upset occurs in the scheme of things in this country, the stock returns a yield of about 6¼%. The uncertainties in the situation are still such, however, that a prediction of a sustained recovery in the price of these shares to levels more commensurate with its previous high standing would be premature.

Most Rail Dividends Must Wait

(Continued from page 135)

certain amounts of deferred maintenance. If any Public Works Administration loans are made for purposes other than the purchase of new equipment, such loans could also be regarded as representative of deferred maintenance.

Effect of Higher Wages

Should traffic continue to rise for the balance of this year, an increase of wages to the transportation forces of the railroads would not be of vital importance, insofar as the resumption of, or increases in dividends on railroad stocks is concerned. This contention is adequately supported by data. The basic wage scale of 1929 was reduced to the extent of 10% in 1932. On June 1, of the current year, 2½% of this basic scale will be restored. The second installment, amounting to 2½%, will be restored January 1, 1935. The final installment of 5% will be restored March 31, 1935. For a period of thirty days, following the restoration of the full basic rate, all changes, therein, will be held in abeyance. Neither requests for increases by the railroad workers, nor reductions in wages by the railroads during this period can be proposed. Such action can only be negotiated following the expiration of this period.

During 1929-1932, transportation costs averaged 35.5% of the total operating revenues. Of the total transpor-

tation expenses, slightly over one-half or 18% of the total operating revenues represented wages. Thus, for the balance of the current year, approximately .25% of the gross revenues will be absorbed by an increase in wages. During next year, not more than 2% of the total operating revenues will be diverted from earnings, as a result of the full increase in the basic wage scales. That this amount is subject to downward revision, is supported by the increased operating efficiency. For the two months ending February 28, 1934, total operating revenues increased 67.7 million dollars or 15.45% over the corresponding period of 1933. Transportation expenses reflected a disproportionately smaller increase, rising only 14.28 millions of dollars, or 8.2%. Longer and heavier trains, which reduce the amount of train miles, the basic unit of transportation costs, will prove a decisive factor in nullifying some of the increased expenses arising from higher wages.

Proceeding to the new legislation in prospect, this, if enacted, should enhance, rather than reduce, railroad earnings. The consummation, thereof, during the present session of Congress, seems highly improbable because of the vast amount of unfinished business other than that pertaining to transportation. A report made by the Federal Co-ordinator of Transportation, revealed that motor vehicle transportation in its present unregulated status has intensified existing competition to a point where certain branches of railroad traffic, notably less than carload freight, is highly unprofitable. Such a condition is not warranted, in view of the fact that the motor vehicle serves a highly useful purpose in supplementing railroad operations, as well as performing distinct transportation operations peculiar to itself. The regulation of this branch of transportation, would be in the best interests, not only of the railroads, but of those engaged in motor vehicle transportation themselves. Another medium of transportation whose regulation was regarded as advisable by the Co-ordinator, was that of the inter-coastal steamship. Here the problem is one of port to port, as well as joint rail-water regulation. Should both of the foregoing recommendations be ultimately enacted with a view towards rendering the competition more orderly, its benefits to all concerned cannot be doubted.

On the basis of general considerations, therefore, railroad stockholders can expect but little in the way of dividends. Financial considerations strictly preclude such action for the rest of this year and possibly next, irrespective of further gains. This is notwithstanding the fact that interest charges will be earned by many roads with something

The Baltimore and Ohio Railroad Company

SUMMARY OF ANNUAL REPORT FOR 1933

OFFICE OF THE PRESIDENT

Baltimore, Md., April 18, 1934.
To the Stockholders of the Baltimore and Ohio Railroad Company:

The President and Directors present herewith a statement of the operations of the Company for the year ended December 31, 1933, including condensed Income Account compared with the preceding year, and Balance Sheet as of December 31st, with other information which may be of interest.

The Annual Report in the customary form will be sent later to all stockholders who have advised or may advise the Secretary of the Company of their desire to receive it.

The net income for the year, after payment of interest and all other fixed charges, amounted to \$204,772, as compared with a deficit in 1932 of \$6,334,978 or an improvement in net income for 1933 of \$6,539,750.

Compared with the preceding year, freight revenue reflected an increase of \$7,320,236 notwithstanding the emergency increase in rates authorized by the Interstate Commerce Commission, effective January 4, 1932 which had contributed about \$300,000 per month to the Company's revenues, terminated as of September 30, 1933.

While there was a marked improvement in the passenger traffic during the last six months of the year as compared with the corresponding period of the previous year, the increase was not sufficient to overcome the drastic decline in the first six months, and as a result there was a decrease in passenger revenue for the year of \$564,217, or 5.44%. There was, however, an increase of 1.02% in revenue passenger miles, reflecting improvement in the long-haul business. The Century of Progress Exposition held at Chicago from May 27th to November 12th, 1933, was a contributing factor to the increased passenger revenue realized during the last half of the year. The

operation by your Company of completely air conditioned trains between New York and Chicago and St. Louis was also effective in regaining to your line some of the passenger traffic which had been diverted to other forms of transportation. Further additions during the year to the air conditioned equipment permitted more extended service of this character.

Advantage was taken of the increased revenues to pursue a more liberal maintenance program. The expenditures for maintaining roadway and track were \$622,333 greater than in 1932. Maintenance of Equipment expenses were increased \$1,853,693, representing not only increased expenditures on equipment, but also increase in the depreciation charges.

The property has been adequately maintained to assure safe and dependable service.

Although traffic as a whole increased, transportation expenses were reduced by \$2,571,341, or 5.55% and consumed but 33.21 cents out of each dollar of revenue earned as compared with 36.82 cents in 1932. During the year 1933 the obligations of the Company, outstanding in the hands of the public, were reduced more than \$8,900,000.

The present trend of industry seems to justify expectation for further improvement, and while no prophecy for the immediate future is here ventured, the outlook is more reassuring than it was one year ago. With further revival of commerce, your Company should share in the anticipated benefits from such recovery.

To secure as great a volume of traffic as possible under present conditions, the interest and cooperation of the stockholders is most earnestly solicited.

Very respectfully,

DANIEL WILLARD,
President.

INCOME ACCOUNT

	1933	Amount	%
Revenue from freight transportation.....	\$113,380,296	\$ 7,320,236	6.90
Revenue from passenger transportation.....	9,798,466	*564,217	*5.44
Revenue from mail express and other transportation service.....	8,613,491	*846,589	*8.95
Total Railway Operating Revenues.....	\$131,792,253	\$ 5,909,430	4.69
Maintenance of Way and Structures.....	\$ 10,939,855	\$ 622,333	6.03
Maintenance of Equipment.....	24,011,165	1,853,693	8.37
Traffic.....	4,026,271	*707,776	*14.95
Transportation.....	43,771,782	*2,571,341	*5.55
General.....	6,545,184	*608,745	*8.51
Miscellaneous.....	1,076,443	126,601	13.34
Total Railway Operating Expenses.....	\$ 90,369,700	\$*1,285,235	*1.40
Transportation Ratio.....	33.21%		
Total Operating Ratio.....	68.57%		
Net Revenue from Railway Operation.....	\$ 41,422,553	\$ 7,194,665	21.02
Taxes.....	\$ 9,156,728	* 748,292	*8.40
Equipment, Joint Facility Rents, etc.....	4,416,626	1,067,154	31.86
Total Charges to Net Revenue.....	\$ 12,573,352	\$ 318,862	2.60
Net Railway Operating Income, as defined in Transportation Act of 1920.....	\$ 28,849,201	\$ 6,875,803	31.29
Other Income—Rents, Dividends on Stock and Interest on Bonds owned.....	6,218,021	*360,508	*5.48
Total Income from all sources.....	\$ 35,067,222	\$ 6,514,995	22.82
Deductions for Interest and Rentals.....	\$ 33,715,331	\$ 319,365	0.96
All Other Charges against Income.....	1,147,119	344,120	*23.08
Total Deductions from Income.....	\$ 34,862,450	\$* 24,755	* 0.07
Net Income or Deficit.....	\$ 204,772	\$ 6,539,750	

* Decrease.

CONDENSED GENERAL BALANCE SHEET—DECEMBER 31, 1933

ASSETS		
Investment in Property used in Transportation Service.....	\$ 987,243,034	
Road.....	\$716,764,832	
Equipment.....	260,015,002	
Investment in Perpetual Leaseholds—Capitalized (per contra).....	10,463,200	
Investment in Separately Operated Properties.....	99,079,055	
Investment in Other Companies.....	95,384,122	
Investment in Miscellaneous Physical Property, etc.....	4,643,225	
Total Investments.....	\$1,186,349,436	
Current Assets.....	29,733,147	
Cash.....	\$ 6,674,116	
Materials and Supplies Traffic and Agents' Balances, etc.....	23,059,031	
Deferred Assets, including Insurance Fund.....	4,390,747	
Unadjusted Debits.....	360,484	
Grand Total.....	\$1,220,833,814	
LIABILITIES		
Capital Stock.....	\$ 315,158,510	
Preferred Stock.....	\$ 58,863,162	
Common Stock.....	256,295,348	
Capital Debt.....	684,381,370	
Mortgage Bonds.....	\$493,414,300	
Equipment Trust Obligations.....	42,888,200	
Loans and Bills Payable.....	69,582,777	
Reconstruction Finance Corporation Loans.....	22,102,367	
Other Loans and Bills Payable.....	2,358,076	
Miscellaneous Obligations.....	43,577,000	
Unassumed Obligations of Operated Subsidiaries Capitalized Leaseholds (per contra).....	\$10,463,200	
Less capital stock of lessors held by the Company.....	5,250 10,457,950	
Current Liabilities—Traffic and Car Service, Accounts and Wages Payable, Accrued Interest, etc.....	22,690,337	
Liability for Provident Funds and Other Deferred Liabilities.....	1,104,110	
Accrued Depreciation on Equipment.....	82,455,574	
Other Unadjusted Credits.....	8,626,744	
Inter-company Non-negotiable Accounts (Net Balance).....	14,507,059	
Premium on Sale of Common Stock.....	3,355,721	
Surplus.....	88,455,389	
Grand Total.....	\$1,220,833,814	

MARKET STATISTICS

	N. Y. Times		Dow, Jones	Aves.	N. Y. Times		
	40 Bonds	30 Indus.			50 Stocks	High	Low
Monday, May 7.....	82.50	95.51	43.70	86.54	82.75	2,364,030	
Tuesday, May 8.....	82.48	97.16	44.57	85.70	82.84	1,858,210	
Wednesday, May 9.....	82.44	95.71	43.64	85.40	83.54	1,028,360	
Thursday, May 10.....	82.19	93.91	42.52	83.84	81.12	2,125,520	
Friday, May 11.....	81.95	93.18	41.70	83.24	81.67	995,700	
Saturday, May 12.....	81.35	92.22	41.11	81.75	80.15	1,110,110	
Monday, May 14.....	81.04	91.81	41.40	81.52	78.51	1,680,490	
Tuesday, May 15.....	81.75	92.84	42.07	82.06	80.38	894,320	
Wednesday, May 16.....	81.76	92.73	42.24	81.76	80.12	717,594	
Thursday, May 17.....	82.23	95.98	43.63	83.68	80.92	1,286,540	
Friday, May 18.....	82.45	95.17	43.64	84.11	82.51	910,990	
Saturday, May 19.....	82.32	95.13	43.70	83.08	82.45	249,300	

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to spare. The rehabilitation of road and equipment is also of vital importance and if this can only be made up through Public Works Administration loans in some cases, earnings must be conserved to retire these obligations eventually. Some of the equipment will be retired, which may deplete accumulated reserves for depreciation, so that heavier annual charges for the latter will obscure earning power for the common stock to a considerable degree. Hence maintenance, though not as potent as the financial aspects, will be an important influence against dividend payments. Finally, the legislation now pending for the regulation of inter-coastal steamship and motor vehicles, though a favorable factor, will manifest itself slowly so that any benefits derived from this source, would take several years in materializing.

While each of these influences exert an important bearing upon future payments of dividends on the railroads as a whole, it would not apply as strictly to individual carriers. A number of systems are in a favorable position to resume payments pending a continuation of the present rate of business. In connection, therewith, there are enumerated the most important financial and other details in an accompanying table, which are the most important factors in formulating such judgment.

The Summer Business Outlook

(Continued from page 121)

to correct maladjustments and to strengthen the basic forces.

Second, the peak of impulsive governmental experimentation almost unquestionably has been put behind us. The Administration in coming months will concentrate upon consolidating and rationalizing its program, rather than upon new planning. Congress will soon adjourn, not to assemble again until next January. Much of the legislation most feared by business will go by the board. The rest will at least be a fact accomplished, rather than a continuing source of uncertainty.

Third, as we approach the Government's fiscal year of 1935, beginning July 1, the Administration will be equipped with upward of \$4,000,000,000 of emergency funds already authorized and earmarked. This is powerful and direct inflationary ammunition. It can take care of all possible relief needs and undoubtedly will serve—as it is intended to serve—as a reinforcing support for business.

Fourth, next autumn brings the Congressional elections. The Administra-

tion would be less than human if it failed to desire that business make the best possible showing at that time. Its political acumen is not to be doubted. It will be good politics this summer to do everything possible to encourage a more confident business psychology. Lacking this in sufficient measure, it will be good politics to adopt tangible stimulants in the form of emergency spending.

New Deal Shaking Down

Fifth, the developing rationalization of N R A will probably result in retaining most of its good qualities, while obnoxious and unworkable portions will be abandoned. In relation to the whole Administration program, N R A probably will slide into eclipse. This will tend to bring a return to more competitive business relations. Such competition, given checks on cut-throat practices through the simple and effective devices such as a maximum hour and a minimum wage scale, can only be regarded as normal and healthy in the long run, however disturbing may be some of the immediate necessary adjustments.

Sixth, it is all to the good that the Administration has at last come fully to the recognition that normal recovery now depends mainly on revival of the capital goods industries. As a practical step, its program to stimulate housing construction, renovation and modernization—through private financing under Federal insurance—will without doubt have beneficial results, even though probably falling far short of touching off the remotest semblance of a building boom.

On the whole, we conclude that the summer recession in business will probably be of somewhat more than seasonal proportions. On the other hand, considering the various supporting factors, it can safely be regarded as a temporary period of consolidation—increasing, rather than decreasing, the chances of renewed revival during the second half of the year.

Such a sequence, one can well believe, might turn out to be both good politics and effective medicine for business.

**For Features
to Appear in
the Next Issue**

See page 111

Ruberoid Co.

(Continued from page 141)

proximity to important population centers, comprise the company's manufacturing facilities. In addition there is a foreign subsidiary, and branches and selling agencies are maintained in the principal cities in this country. The company has followed an orderly program of expansion resulting in steady broadening of its field and products. The most recent acquisition was last October, when the Newmarble and Newtile divisions of Asbestos, Ltd., were taken into the fold.

Capital structure is an extremely simple one consisting solely of 132,602 shares of common stock. In the years 1928-1931 inclusive, the shares paid dividends at the rate of \$4 annually; in 1932 payments totalled \$2 a share; and last year and in the initial quarter of the current year payments were made at the rate of \$1 annually.

During the past six years earnings on the stock have averaged \$2.25 a share annually. It would appear, however, that normal earning power is better than the average. In 1931, for example, the shares earned \$3.68, comparing with \$2.84 in 1930 and \$3.43 in 1929. The peak of earning power was made in 1927, a year in which building was still at an unusually high level. From the trend of earnings subsequent to that year, it is apparent that while the company must rely upon a general revival of the construction industry to produce exceptionally high earnings, it is equally apparent that ordinary replacements and repairs, even during a period of general business depression, can be counted on to give the company a healthy volume of business. In 1932, there was a loss of \$220,069, the first suffered by the company over an extended period of time. It required, however, only the general improvement which occurred in the last half of 1933 to take the company "out of the red" and a profit of \$146,969, equal to \$1.10 per share, was reported.

Financial position at the end of last year revealed working capital of \$5,424,213, including \$1,140,000 in cash. Net quick assets were equal to \$40 a share on the capital stock. Obviously, therefore, the company is in a position to pass along promptly any increase in earnings, in the form of a larger dividend. Backed by a long record of dividends, and quoted below their net quick asset value, the shares have much in their favor at this time. About the only objection which might be cited is their inactive market—on the New York Curb Exchange.

Exchanges Come Under Federal Control

(Continued from page 119)

were never ethical, and a curb on those, which until now, had been thought to be so; (3) probable restrictions on options (not company issued warrants); (4) curb on broker trading operations; and, (5) as a result of the publicity that must be given the operations of "insiders."

Fully realizing that in practice the loss of liquidity may be so small as to be of no importance, one may validly nevertheless explore the possible effects. With a less broad and active market, the spread between bid and asked would tend to be wider than now. In a bull market, stocks would be less easy to buy and, in a bear market, they would be more difficult to sell. It is at this point that one of the fundamental objectives of the law might be defeated, for, if the previous point is a logical one, the major swings would become more pronounced. Consequently, a major turn in the business tide might be followed in the first instance by a steep rise in stocks—and then by a correspondingly precipitous decline. The short swings, however, may be flattened out somewhat.

An impairment of liquidity would also have the probable effect of making institutions and individuals somewhat chary of putting their temporary surplus into the market, lest there be difficulty when the time comes to withdraw it. One might expect to see fewer companies with temporary investments in other companies. The only true liquidity—as is, of course, the case to some extent today—would be obtainable from the short-term obligations of the United States Government. Finally, despite what has been said of London being able to finance economically on a market much less liquid than ours, the curtailment of breadth and activity, if severe, would tend to make stocks sell on a higher yield basis. Everyone must know, for example, some local security of excellent merit that can be bought if time is no object to yield 6 per cent, 7 per cent, or even 8 per cent, just because it lacks marketability. Such an influence working in our present stock market would, of course, be a depressant, but once securities were on a permanently lower plateau there would be no further effect.

It is, however, unfair to read into the stock exchange control bills as they stand at the moment, not a slight impairment of liquidity, but solidifica-

tion. The Government itself has had enough of the latter as a result of the ill-advised Securities Act, which virtually paralyzed the flow of funds to industry. Incidentally, the Senate has passed, as a rider to its stock exchange bill, provisions that modify considerably some of the worst parts of the Securities Act. Liabilities, entirely out of all proportion to the damage that might have been done, are made less all-inclusive and there are deterrents to "blackmail" suits. It is quite possible, however, that the proposed modification of the Securities Act does not go far enough and that, though it become law, there still will not be that unimpeded flow of funds to industry. The Act, with changes, would still have many clauses much more drastic than the British Companies Act which is generally accepted as a model of reasonable safeguards.

But this is to digress. The bills for regulation of stock exchanges have been prepared with more care than was given the Securities Act. Consequently, as bills, they are better bills. From the point of view of the investor and the country at large, one provision only appears to be wrong in principle. It is the provision of the House bill—incidentally backed by the President—calling for fixed margin requirements. The margin of 45 per cent for which it calls may be over high at one point of the industrial cycle and over low at another. How much money shall be lent on anything should be a matter for the lender to fix. It cannot be legislated satisfactorily, nor fairly. It is to be noted that it is the Government's own current proposal that 80 per cent of the present appraised value of a property should be advanced by those with funds to invest and that, if this be done, the Government will guarantee 20 per cent of the money loaned. When it becomes possible by law to borrow only 55 per cent of the value of a marketable security and anything up to 80 per cent of the value of a piece of frozen real estate, there is something wrong somewhere. Yet, in case it seems that it is our contention that the amount that can be borrowed on the security is too low, we hasten to add that this is not so—the objection is to the fixed-margin principle, whether or not some one is given powers to make exceptions or not.

Many objectors to the proposed stock exchange legislation make the point that it is all too vague and that the concentration of important, albeit somewhat indefinite, powers in the hands of a political body constitutes a menace. Generally speaking this would be valid. It should be remembered, however, that the business of issuing and dealing in securities is

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New York Curb Exchange

ACTIVE ISSUES Quotations as of Recent Date

Name and Dividend	1934 Price Range		Recent Price	Name and Dividend	1934 Price Range		Recent Price
	High	Low			High	Low	
Alum. Co. of Amer.	85½	64	70	General Aviation	9½	4½	4½
Amer. Cyanamid B (25)	22½	18½	19½	General Tire	99	64½	79½
Amer. Gas & Elec. (1)	33½	18½	24½	Glen Alden Coal	20½	10½	16½
Amer. Lt. & Tr. (1.60)	19½	10½	15½	Gulf Oil of Pa.	76½	56½	61
Amer. Superpower	4½	2½	2½	Hudson Bay M. & S.	14½	8½	13½
Assoc. Gas Elec. "A"	2½	7/16	¾	Humble Oil	46½	33½	43
Atlas Corp.	15½	10½	11½	Imperial Oil (.65)	15½	13½	14½
Canadian Indus. Alco. "A"	20½	10½	12	Inter. Petrol. (1.55)	27½	19½	26½
Cities Service	4½	1½	2½	Lake Shore Mines (2½)	54½	41½	49½
Cities Service Pfd.	26½	11½	20½	Niagara Hudson Power	9½	4½	5½
Colum. G. & E. cv. Pfd. (5)	103	68	83½	Novadel-Agene	23½	19½	21
Commonwealth Edison (4)	61½	34½	51½	St. Regis Paper	5½	2½	3½
Consol. Gas Balt. (3.60)	65	53	59	South Penn Oil (1.20)	24½	17½	21½
Cord Corp. (25)	8½	4½	5½	Standard Oil of Ind. (1)	32½	25	26½
Creole Petroleum	13½	9½	12	Swift & Co.	19	13½	16
Distillers Cp. Seag.	26½	14½	16½	Swift Int'l (2)	32½	23½	31
Elec. Bond & Share	23½	10½	15½	United Founders	1½	11/16	¾
Elec. Bond & Share Pfd. (6)	60	31	50½	United Gas Corp.	3½	1½	2½
Ford Motor of Can. "A"	24½	15	21½	United Lt. & Pwr. A	5½	2½	3
Ford Motor, Ltd.	9½	5½	9½	United Shoe Mach. (5)	68½	57½	64½
				Walker Hiram H. W.	57½	30½	35½

highly technical and that it involves unstandardized and "unstandardizable" practices. One man buying a security may be gambling to the detriment of himself, his family and his community, while another man, buying identically the same security, at identically the same time, may have well-thought out reasons for so doing and hurt no one in the event that he proves wrong. Similarly, there are good pools and bad pools, good manipulation and bad manipulation, good specialists (that much maligned lot) and bad specialists, good publicity and bad publicity, legitimate margin transactions and those that are illegitimate, good options and misused options, fair reasons for corporate secrecy and those that are unfair to the corporation's stockholders and the public at large. There is hardly a phase of the security business that cannot be shown to do a real service of some sort, but which can be, and has been, abused. Any law aimed at correcting all the abuses that have ever been perpetrated would entirely wipe out every vestige of the legitimate business too.

It was in the attempt to be definite that the original draft of the pending bills contained such devastating possibilities and, so long as we had to have some form of Federal regulation of stock exchanges, it is better that the devastation should be the possible result of mal-administration, than that it should be mandatory under the law. And here is the crux of the whole matter. Badly, harshly, or unsympathetic-

ally administered, regulation of stock exchanges as proposed could do all the damage that its critics claim it will do. With good hands at the reins, however, it should do nothing more than curtail the profits derived from the most undesirable portion of the brokerage business, but should have little, or no, adverse effect upon the legitimate investor and the industry which he finances. It is to be sincerely hoped, whether the regulatory body be called the Federal Securities Exchange Commission or whether it is called the Federal Trade Commission—Securities Exchange Section, that the men composing it are sane, sensible and that at least one or two of them know from the practical side what it is that they are proposing to regulate.

For Profit and Income

(Continued from page 144)

one declares that an "emergency" exists and this is quite enough to fix arbitrary minimum prices. It matters little that in this particular instance price competition in third and fourth line tires previously had been vicious and uneconomic; it is merely the wisdom of the principle that one doubts. This, however, is something of a digression. Whether price-fixing at all is meritori-

ous or not, and whether it can be successful ultimately in this case, are aside from the point that temporarily, at least, the outlook for the manufacturer of tires has taken a turn for the better. The important rubber stocks, Goodyear, Goodrich, Firestone and U. S. Rubber were all somewhat firmer on the news—and in spite of the longer-term implications contained in the recently arranged international plan to raise the price of their principal raw material.

Happening in Washington

(Continued from page 129)

Economic Sharps of the Administration refuse to concede that there will be an unseasonal slump of business between now and August. They attribute present decline in some areas more to the CWA fund stoppage, than anything else, but "point with pride" to the prediction that Government funds in toto will flow out faster during the last half than during the first half of 1934.

As Our Readers See It

(Continued from page 148)

Knappen's own article "Branch Factories Abroad" (July 23, 1932) gives evidence that Powers is right. Also, Philip G. Wright claims that foreign nations fear the competition of the United States more than they fear the competition of each other. How can this be true if our labor costs are higher than foreign? Did we have a "benevolent international trade attitude" toward England any time she was on a free trade basis? Did England require a "benevolent international trade attitude" of other nations when she adopted a free trade policy in 1846, and did she get it any time in the next fifty years?

Knappen also says "It is useless to say that such an influx of foreign goods would not displace a great measure of American industrial products." Can free trade make the situation any worse than the present? The average income of the American citizen, as a result of the depression, has declined several times as much as the amount of foreign goods he would have to consume in order to permit foreign nations to pay both commercial and war debts. As goods in excess of this amount simply pay for our exports, and since the tariff,

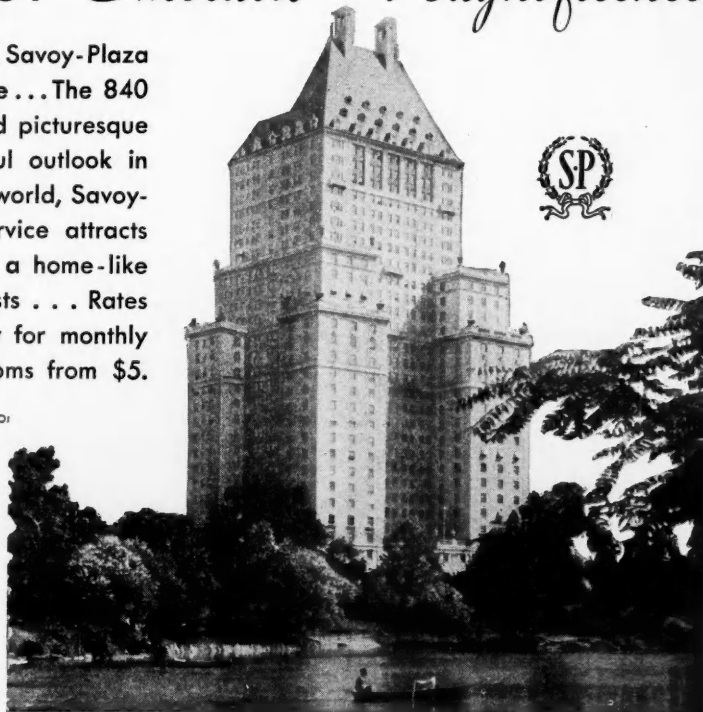
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combined with the fact that we are a creditor nation, is the cause of the depression, how can a free trade policy hurt us?

I hope Mr. Knappen will accept the challenge to prove the disputed statements.—JOHN M. WOODS, *Buffalo, N. Y.*

I am always wary of accepting a challenge to debate, especially on such a many-sided subject as protection against free trade. I know that abstractly the free trade theory is invincible, but at the same time I realize that it may be ruinous in practice. I am an emotional pacifist but I would vote for singular disarmament by the United States about the time I am ready to fondle rattlesnakes.

The former experience that low labor costs were compatible with high wages has been seriously shaken in recent years by the success of such countries as Japan and Czechoslovakia in putting the latest modern labor-saving machinery into the hands of poorly paid but intelligent operatives. When the cheap operative produces as efficiently as the expensive operative it is no longer permissible to assert that labor costs in America are lower than in competing countries.

Particularly in regard to the United States; we are almost a natural eco-

nomie whole in ourselves and, our tariff policy for upwards of a hundred years has cultivated that independence. Nothing in the world outside can now take the place of the home market, and it would take years of painful changes to make such a displacement. Moreover, why should we encourage the importation of goods that we are successfully exporting, and why should we make a drive for exports in lines in which other nations, absolutely dependent for existence upon exports, already control? For these reasons I favor a trial of the policy of tariff dickering, such as the President proposes, because it promises to encourage imports that are actually economic in our present status, and to give us ex-

port openings that will not be harmful to foreign economies.

As to England, we did not have a benevolent attitude toward that country when she was a free trader any more than we have now. It was England to whom that role belonged, and she played it well. In those days she was never distressed over the so-called unfavorable balance of trade. She always regarded an excess of imports as her foreign trade profit. And she was perfectly willing to see individual British industries injured or destroyed by imports so long as she maintained her mastery of world trade. This was, of course, only a form of international benevolence which rested ultimately on the higher self-interest, but even that is something which is practically inconceivable in the United States at this time — particularly when the whole world is conducting its external trade relations in accordance with the dictates of an utterly selfish policy. Lack of reciprocal trade benevolence on the part of other countries finally destroyed England's free trade policy. When the idea universally prevails that imports are evidences of defeat in commercial warfare, and exports proof of victory, the time may be fairly said to call for some international goodwill in trade intentions before we disarm wholesale.—T. M. K.

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What's New . . . In the World of Books?

The Changing Structure and Control of Banking

OF NEW books on money and banking there have been many in recent months. But Professor Chapman of Columbia University gives us one of the first adequate reviews of the theories and methods which have already made radical changes in the structure of American banking institutions—and which, it seems more than likely, will produce further and perhaps even more fundamental changes.

"Concentration of Banking" traces the trend toward concentration from its beginnings following the war in 1921. He surveys both the economic and legal backgrounds of bank practices and bank legislation. His analysis is clear-cut and free from prejudice. A specially helpful feature of the book is a well-selected bibliography on the subject. Another is the collection of about forty tables and charts which illustrate the author's points.

"Concentration of Banking" by John M. Chapman (388 pages) published by Columbia University Press, 1934, \$5.00.

* * *

Behind the Scenes of the New Deal Stage

Would you like to see the whole troupe of New Dealers pass in "shirt-sleeve" review . . . to see and hear them as men and women, planning, working, sometimes amusing themselves or quarreling a bit . . . all "off the record"?

In "The New Dealers," a Washington correspondent who is called by the publishers The Unofficial Observer, lives up to his promise in the introductory apology. He says: "I have tried to set down, as fairly as I can, the chief facts about fifty-odd important personalities in the New Deal: how they got into it in the first place, what they have done about it, how they get along with each other, and what they're like as human beings. In other words, I have tried to give the low-down on the up-and-ups in this wild political free-for-all at Washington."

The Observer is an excellent showman as you may judge by the style of the passage just quoted. But more than this, he is a keen observer and, at times, a revealing commentator . . . none the less so because his language is rather slap-dash. (He speaks of the President as the "chief croupier" in the New

Deal gamble, calls people by nicknames, and has a genial way of referring to Roosevelt's personal advisors as "The Praetorian Guard," to Mr. Farley's special staff as "The Political Strong-Arm Squad," etc.) It is remarkable how this series of sharply-drawn sketches throws fresh light on the diverse measures and projects of the Administration.

"The New Dealers" by The Unofficial Observer (414 pages, April, 1934), published by Simon & Schuster, \$2.75.

* * *

Silver Dollars and Two-Gun Finance in Nevada

A Forty-Niner, fagged from forty God-forsaken miles of desert, loafed a while at Devil's Gate before starting the last weary round to California. For practice, he panned a little dirt in a creek that tumbled its white foam into the Carson. In one day he washed 600 ounces of gold dust and sold it for \$8,000. But he wasn't satisfied. The gold was too flaky, alloyed with "some fake blue stuff." It was ten years later that this "fake blue stuff"—then piled by the ton around the Devil's Gate diggings—was discovered to be nearly solid silver.

They took millions out of the ground at Virginia City. They fought over it with Colt 45s. And they spent it like water. It is an amazing story you'll find in "The Saga of Comstock Lode," the more amazing because it's an honest record of fact. Now that the mines of Virginia City are again coming to life with the increased value of gold and silver, George Lyman's well-told narrative has a special and most timely interest.

"The Saga of Comstock Lode" by George D. Lyman (399 pages), published by Charles Scribner's Sons, 1934, \$3.50.

For Features
to Appear in
the Next Issue

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